ISTORY

January, 1935 Price 25 Cen

RECOVERY RACES INFLATION

By Lionel D. Edie

IF WAR SHOULD COME

By Philip C. Jessup

A MONTH'S WORLD HISTORY

By Allan Nevins, Charles A. Beard and Others

THE NEW YORK TIMES COMPANY



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tory; that he is generally fair to both sections of the Union, and to the leaders on either side, and that he has done laymen a service by digesting in a well-written volume the more sober studies of a generation of scholars. E. F. B.

Explaining English History

A SHORTER HISTORY OF ENGLAND. By Hilaire Belloc. New York. The Macmillan Company, 1934. $3.

MAKING no pretense to more than elementary history in this book, Mr. Belloc declares that history should, above all, "explain," should tell "the how and the why." Moreover, he believes that "we should not 'telescope' history. We should not give to the earlier part of the narrative less space than to the later part merely because the earlier was more remote." We are not surprised, therefore, to find that Crécy is given more space than the World War, that the twentieth century is disposed of in ten pages, the nineteenth in 100, while the sixteenth and seventeenth centuries between them get 210. Mr. Belloc's predilections in the matter of historical emphasis are too well known to require comment here. It is enough to say that as elementary history his survey down to 1688 has much to recommend it; but after that date it is less satisfactory.

R. L. B.

OTHER RECENT BOOKS

DEMOCRACY AND MILITARY POWER. By Silas Bent McKinley. With an Introduction by Charles A. Beard. New York: The Vanguard Press, 1934. $3.

Dr. McKinley develops the thesis that democratic institutions in a State retain their integrity only so long as the common man—the infantryman—is able to defend his rights by force, and that democracy wanes in proportion as technical forces (planes, tanks, chemical warfare) which are rigidly controlled by the ruling powers gain the ascendancy over the infantryman.

THE CAMBRIDGE SHORTER HISTORY OF INDIA. Edited by H. H. Dodwell. New York: The Macmillan Company, 1934. $4.

A complete account, in less than 1,000 pages, of Indian political history from the beginnings to 1919. Ancient India is covered by J. Allan, Moslem India by Sir T. Wolseley Haid, British India by the editor.

THE WHITE MONK OF TIMBUCTOO. By William Seabrook. New York: Harcourt, Brace & Co. 1934. $3.

A racy biography of the famous French ex-priest who has for some forty years lived in Timbuctoo. Interesting passages of native life, customs and history. Even more interesting descriptions of the bawdy old scholar-hero.

K-7, SPIES AT WAR. As told to Burke Boyce by George F. Zimmer. New York. Appleton-Century Company. 1934. $2.50.

Sixteen stories of intelligence work during the World War by K-7, the pseudonym of George F. Zimmer, a former American operative who has thrilled millions of radio listeners with his accounts of the exploits of secret agents.

LIBERIA REDISCOVERED. By James C. Young. New York: Doubleday, Doran & Co., 1934. $1.50.

The story of Harvey S. Firestone's little empire in the Negro Republic, of economic development and political turmoil in one of the world's most interesting minor problem States.

Current History Is 20 Years Ol

Started for the purpose of recording permanent form material of interest abo the World War, the magazine Current Hi tory marks the twentieth anniversary of i first publication. From an exclusively w history, the magazine has developed into month-by-month record and discussion events throughout the world.

After peace came the magazine began develop into a record of general histor recording significant post-war happenings each of the countries of the world. In 19 it reached its definitive form with the cre tion of an associate board of editors assign to follow month by month the trends in fou teen regions into which the world w divided. The magazine continued to publi original records and documents as well special articles by American and foreign a thorities on international affairs, politi economics, social problems, literature a science.

CURRENT HISTORY for February

A MONTH'S WORLD HISTORY

[illegible] History. Volume XLI, No. 5, February. Published Monthly. Publication Office, 10 Ferry St., Concord, N. H. [illegible]al and General Offices, The New York Times Company at Times Square, New York, N. Y. 25c a copy, $3 a [illegible]Canada, $3.75; Foreign, $4.25 Entered as second-class matter October 6, 1930, at the postoffice at Concord, under the act of March 3, 1879. Entered in Canada as second-class matter.

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CURRENT HISTORY

JANUARY 1935

Recovery Races Inflation

By LIONEL D. EDIE*

THE one monetary idea to which President Roosevelt has adhered steadfastly and tenaciously is that the domestic price level must be raised. No matter how much he has been bombarded by his opponents, he has never flinched from that objective. Ridiculed on the objective by many of his old political friends, repudiated at critical moments by many of his ablest advisers, severely criticized abroad for monetary heresies, the President has not for one moment wavered from the simple proposition, prices must go higher.

And higher they have gone. The Bureau of Labor Statistics publishes a weekly index of wholesale prices. It is broad and comprehensive, including 784 commodities. According to this index the domestic price level has risen approximately 30 per cent. President Roosevelt has stated that a further rise is intended.

But the exact ultimate objective has never been stated. Rather the objective has been stated in terms of a broad principle. The most comprehensive statement is one made by the President on May 7, 1933, as follows:

"The administration has the definite objective of raising commodity prices to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed. We do not seek to let them get such a cheap dollar that, in effect, they will be able to pay back a great deal less than they borrowed.

"In other words, we seek to correct a wrong and not to create another wrong in the opposite direction. That is why powers are being given to the administration to provide, if nec-

*After teaching economics at Colgate University and the University of Indiana, holding a Professorship of Finance at the University of Chicago, and serving as research economist and adviser to various financial institutions, Mr. Edie is now a consultant on investment problems in New York City. He has written a number of books on economic and monetary questions.

essary, for an enlargement of credit in order to correct the existing wrong. These powers will be used when, as, and if, it may be necessary to accomplish the purpose."

According to this view the justification for the objective arises from the debt burden. It does not arise from the unemployment burden. It does not arise from the need for increasing the volume of industrial production. Prices are related to debts.

The impression has been created that the administration is committed to raising the price level to that of 1926. That impression is not founded on fact. The administration has carefully avoided any formal, public declaration that 1926 was the objective. In press conferences and in discussion 1926 has been talked about, but this is not the same as an official declaration. In other words, the administration's hands are not tied. It is free at any time to stop and to say: This is high enough. At this price level the debt burden can be serviced. We shall seek to stabilize prices on the average at this point.

Although it is important to note that this freedom exists, nevertheless it is necessary to examine some of the reasons why "Back to 1926" has become a kind of battlecry. The President was given the power to devalue the gold dollar up to 50 per cent, which is the same as raising the price of gold up to 100 per cent. According to Professor Warren and certain other advisers of the administration, there is a close relation between a change in the value of gold and a change in the price level. They contend that certain sensitive raw materials, like cotton, wheat or copper, must advance immediately by the same percentage as the rise in the price of gold. They do not claim that all domestic prices will respond immediately in the same degree, but they do claim that even this broader group will tend in the same direction, though with a considerable time lag. The time lag may cover a period of several years. Hence, according to their theoretical view, a 100 per cent rise in the price of gold would be followed promptly by a 100 per cent rise in the average price of basic raw materials and would be followed more slowly and haltingly by an equal rise in the average of all domestic prices.

This theory may now be linked up with the price index in terms of which these advisers were making their calculations. This index is the Bureau of Labor wholesale average, which takes 1926 as a base of 100 and which fell approximately to 59 at the bottom of the depression. The advisers argued for pushing this index back to the 1926 level of 100, and so the idea became widely circulated that 1926 was the official objective.

To lift this index from 59 to 100 would be to lift the price level approximately 70 per cent. It was therefore consistent, assuming the theory of the gold devaluationists, to advance the price of gold 70 per cent. Actually the price of gold was advanced from $20.67 an ounce to $35 an ounce. This is approximately 70 per cent. Hence the rise in the price of gold was just enough, if the theory worked out, to bring the price index back to 100, the 1926 level. There has never been any official claim that this rigid correspondence between gold and the price index would prevail, but the simple arithmetic of the steps taken, considered in light of Professor Warren's theory, is sufficient to indicate why the 1926 objective has received so much popular interest.

What has actually happened to the price level thus far? The Bureau of Labor index has risen from 59 to 77. In other words, it has advanced slight-

ly less than half way back to 1926. It has advanced 30 per cent instead of 70 per cent.

This proves, say enemies of the policy, that the whole scheme is a failure.

However, in fairness to both sides of the argument, it has to be emphasized that these enemies do not state accurately the theory which they oppose. The theory does not claim that the general price level will rise immediately to the full objective. Experts are aware of the sluggishness of the average covering hundreds of commodities. They allow for a lapse of time, for a lag of several years, but they insist that ultimately even the very broad average will approximate the 70 per cent increase called for by the advance in the price of gold. Hence they can argue today that a 30 per cent rise in the price level is a very substantial degree of progress toward their ultimate objective. They can prophesy that in due time the further rise will take place. They can prophesy, but they cannot prove.

Consequently, the case is not settled on one side or the other. A period of several years must elapse before the impartial observer can say with conviction, purely from the standpoint of the record of events, that the theory has been true or false.

These remarks apply to the broad, general domestic price level. It should be remembered that the President's advisers make a sharp distinction between this general index and an index of sensitive raw materials. Hence, as a further check on the theory it is necessary to consider how the percentage rise in basic raw materials compares with the 70 per cent advance in the price of gold.

An index of fifteen such basic materials stands approximately 80 per cent above the level prevailing just before the United States embargoed gold exports. In brief, these commodities have gone up as much in per cent as the rise in the price of gold.

But that is not the only test to apply to raw materials. These materials are still far below their 1926 level. How can it happen that they are up 70 per cent but are still not back to 1926? The reason is simply that in the great deflation these raw materials fell nearly twice as violently as did other commodities. Hence to get back to 1926 they would have to rise much more sharply. They are actually about 50 per cent of the way back to 1926.

To keep these rather complicated matters clear, it is necessary to summarize the facts as follows: The price of gold was raised 70 per cent. The general domestic price index has risen 30 per cent, or less than halfway back to 1926. Sensitive raw materials have risen fully 70 per cent, but they are still far below their 1926 average. These are the results to date. What they prove is still open to dispute. Certainly prices have risen, but are the causes solely the gold policy? I cannot hope to answer such a contentious question to the satisfaction of both sides. Instead of trying such an impossible task, I shall seek to throw light on the problem by reviewing some of the many forces which have been at work and some of the specific steps taken by the administration. I shall attempt not a detailed historical survey but an interpretive comment on the gradual unfolding of the price-raising program of the Roosevelt administration.

Before inauguration, Mr. Roosevelt had had very little to say about monetary policy. He had promised to raise farm prices, but his emphasis had been on non-monetary methods. He had not attacked the gold standard. He had stood on the Democratic plat-

form of a sound currency, but had not even hinted at a definition of the phrase. He had advocated a balanced budget. His original Brain Trust had not contained any monetary expert. In short, the whole background of the administration was practically a blank on monetary policy. It probably would not be an exaggeration to say that the Roosevelt administration came into power without any philosophy whatsoever on the money question and in fact without even realizing how tremendously important money is in the economic system. They were uninformed about money, uninterested in money and unconscious of the imminent money crisis. They had no prearranged plan, no consciously formulated scheme, no deliberate monetary intentions.

But the administration learned quickly after March, 1933, and did so because necessity thrust great decisions upon them.

During the early months of the Roosevelt administration pressure to do something about the price level arose simultaneously in many different quarters. At first the administration was on the defensive. It was not altogether sure of its mind. It gained time by making compromises with extremists and by taking emergency action. Not until the crisis at the World Economic Conference in London in July, 1933, did the President seem to have reached the stage of a positive set of ideas about monetary policy. Hence, the fast and furious pace of events between March and July, 1933, deserves the attention of any one interested in the origins of the administration's monetary policy.

During that period, inflation was a live topic of conversation throughout the nation. Pressure groups were formed to carry on propaganda for and against inflation. They organized political blocs which ignored party lines.

One of these factions was particularly alarmed by the effect of the bank moratorium. A large number of banks were not strong enough to be reopened immediately. This caused an abrupt drop in bank deposits of nearly $5,000,000,000. Such a violent contraction of bank deposits, coming after three years of rapid decline, was branded as a further act of violent deflation. Dire warnings were given that this would have disastrous effects on prices unless some counterforce were used.

At the same time the President stunned many of his friends and foes by immediately calling for drastic cuts in the cost of government, for living up to the campaign pledges of a balanced budget, and for revising sharply the veterans' pension system. This, too, was a deflationary step. Hence, two of the first major policies of the administration were just the opposite of inflation. Apparently these policies were adopted without any clearly thought out appreciation of their bearing upon monetary policy. The Brain Trust had not yet become "money-conscious."

But of one thing they were very conscious, namely, of a steady clamor from the West and the South to raise farm prices. The bill sponsored by the administration for this purpose, and introduced on March 16, 1933, outlined almost wholly a *non-monetary* solution. It sought to raise farm prices by restricting production.

But this did not promise sufficiently swift results to appease the revolt in the farm belt. So-called farm strikes added a sensational note to the urgency for more rapid-fire action. Leaders of farm organizations had been educated to believe that monetary action was immediately neces-

sary. Hence the administration soon found its farm bill enmeshed with the whole question of gold.

As early as March 8, 1933, the President had declared for a managed currency, but he gave no sign of having any very clear ideas of what the phrase meant and, in fact, seemed to be uncertain as to whether the country was actually on or off the gold standard. Secretary Woodin thought we were on. He said: "We are definitely on the gold standard. Gold merely cannot be obtained for several days." As soon as gold shipments were allowed, exports of the metal began on a substantial scale, rumors of gold devaluation spread at home and abroad, and the administration was fearful lest a gold drain become so acute as to cause a new banking panic. The country was in no mood to stand a second banking panic.

Meanwhile, the silverites, the greenbackers and the gold devaluationists had begun to show their political power. The administration became convinced that the only way to prevent extreme, mandatory inflation was to compromise. On April 19, 1933, the President took the initiative by definitely embargoing gold exports, renouncing the gold standard and indicating a willingness to accept discretionary powers of inflation under the Thomas amendment to the Agricultural Act.

This amendment was a hodge-podge of all shades and varieties of inflation ideas. It authorized the President to reduce the gold content of the dollar as much as 50 per cent, to require the Federal Reserve to buy large quantities of government bonds, to issue up to $3,000,000,000 in paper currency and to buy a limited amount of silver. This program was forced upon Mr. Roosevelt and he assumed the discretionary powers under it, not because he had developed a monetary philosophy, but because he wanted to prevent inevitable inflation from running wild.

But the pressure for raising prices did not stop with these devices. The Thomas amendment was primarily for the farmer; the unemployed of the cities and the general field of industry were not taken care of. The National Industrial Recovery Act and the emergency Federal budget were improvised to meet these industrial pressures. The NRA was a non-monetary price and wage raising device and a compromise between industrialists who wanted freedom from some of the restraints of the Sherman Anti-Trust Act and labor leaders who wanted freedom to advance the cause of collective bargaining. The emergency budget was to provide public works and unemployment relief. It was harmonized with balanced budget logic by a theory that as long as interest and amortization on emergency borrowing was covered in the ordinary budget, the deficit would not cause dangerous inflation and would not impair confidence in government credit.

By May, 1933, the President had begun to put together a monetary policy. It was on May 7 that he had announced his definite objective of raising commodity prices sufficiently to relieve the debt burden. But he was still unaware of some of the main implications of such a program. That this was true was obvious from the great confusion about "stabilization" which precipitated the crisis at the World Economic Conference in July. Undoubtedly his representatives had gone to London with the conviction that their mission was to stabilize the dollar in cooperation with other countries. In July he abruptly changed his mind and left some of his delegates in London high and dry. Hence, the

London episode marked a new stage of crystallization of policy and ideas.

Before dealing with this second stage, I want to make it clear that up to that point the administration had done a lot of talking about money, but had not developed any consistent philosophy on the subject. It was caught unawares by a money crisis and struck out boldly for emergency action. It was not mentally prepared for the necessities of the occasion. It floundered badly, compromised broadly and groped for light. The only thing it knew, and knew absolutely, was that it was determined to raise prices, but how, it did not know. The administration had all the ammunition, but did not know what to do with it. There is no evidence whatever that the administration knew what the money question was all about when it came into power or for several months thereafter.

We may now turn to the London conference. On April 26, 1933, the Roosevelt-MacDonald communiqué had declared: "We must, when circumstances permit, re-establish an international monetary standard which will operate successfully without depressing prices." Nearly every one overlooked the phrase, "when circumstances permit." This was the loophole through which the President tossed stabilization into the discard. His message of July 3 blew up the conference by branding its stabilization proposals as "a purely artificial and temporary experiment affecting the monetary exchange of a few nations only." His sound-money experts were appalled by his ideas about a "commodity dollar" and a "managed currency." They were frightfully embarrassed in London and furious at the about-face which they imputed to the President.

Whatever may be the pros and cons of the President's treatment of his delegates and experts, one thing stands out—the President had refused to tie his hands. He was a free agent to use his wide discretionary powers.

For several months the clock ran down. Business declined and farm prices fell sharply. Some money advisers resigned. A second panic threatened in the late Autumn of 1933. Fear of wild, uncontrollable inflation caused a flight of capital from the country.

The President met this crisis by a series of steps which culminated in devaluation of the dollar, establishment of a gold price of $35 an ounce, declaration of a gold profit and creation of a $2,000,000,000 stabilization fund. He left the door open for further devaluation at some later date if, in his opinion, circumstances should make such action desirable.

Simultaneously, NRA was galvanized into action under General Johnson. Wages were raised, price-fixing was introduced and codes were rushed through. But even this was not enough. The administration entered upon a huge spending program, using CWA and PWA as the main channels for putting new money into circulation. This was an experiment in "priming the pump," the assumption being that natural recovery would get under way within six months and carry on the momentum of rising prices.

To summarize the second stage of monetary policy, three primary devices were brought into play to produce the impetus to higher prices. These were, first, the devaluation and restabilization of the dollar in terms of gold; second, the direct lifting of prices through NRA; and, third, the use of a government deficit to "prime the pump" and create an expansion of the money supply of the country.

This drive for higher prices worked well until July, 1934. In that month

there began a sharp slump in business and a distinct slowing up of the price movement. The experiment in "priming the pump" had proved a failure. A crisis in NRA occurred. And there was much discussion of a further devaluation of the dollar. There was a scare about the government credit and a sharp drop in government bond prices.

The administration was helped out of this crisis by an "act of God" in the form of the drought in the United States. Even though AAA had put into effect the crop restriction program, normal yields per acre would have jeopardized the whole agricultural price structure. For more than five years farm surpluses had haunted every political leader. Supplies of basic farm raw materials were excessive and constantly tended to depress the level of farm prices. This situation was radically changed by the drought. Surpluses were converted into deficits. Nature's curtailment of farm production had come to the rescue at the very moment when the whole price-raising scheme was in grave danger.

The importance of this purely non-monetary factor opens the question of causation. The monetary effort would have run into profound disappointment in the second half of 1934 had it not been for the drought. Admission of that view necessarily leads to the further admission that monetary forces alone may not be sufficient to manage the price level. Perhaps next time when an emergency arises nature will not be so kind and will not save the situation. Perhaps it will give bumper crops at the very time when price-level maintenance requires curtailment. The experience of the second half of 1934 should be a strong caution to the New Deal not to be over-confident of its ability to manipulate the general price level at will.

Against this background of experience, it is necessary to judge the inflationary potentialities of the American program. The President has positively indicated his determination to raise prices still higher. The public is fearful that prices may enter a wave of uncontrollable inflation.

First of all, it has to be admitted that the groundwork has been laid for a substantial inflationary movement. Excess reserves of the member banks already near the $2,000,000,000 mark, and theoretically they can increase deposits in relation to reserves about 10 to 1. The gold profit has not been used to any important extent, but the promise has been made that it will be used eventually. When it is used, excess reserves will be more than double the present unprecedented sum.

The government deficit is at a rate of $3,000,000,000 to $4,000,000,000 per annum and the burden of unemployment relief is so great that an immediate and absolute balancing of the budget is unlikely. All that is necessary to convert this force into actual inflation is a sharp expansion of bank credit.

The banking system is reluctant to lend money and the government is trying to overcome this resistance by an appeal for cooperation on the part of the banks. The actual expansion of member bank credit that has taken place thus far is not dangerously inflationary. It has to be remembered that during the great deflation from 1929 to 1933 about $18,000,000,000 of commercial bank deposits were destroyed. Thus far less than a third of this amount has been restored.

The particular fear which remains in the minds of investors is the Federal deficit. The fear may be described as follows: The spending of vast sums of money for aid of the unemployed starts a system which will require

larger and larger outpourings. At some point government credit may collapse and the administration may be unable to sell even short-term obligations. Then it may resort to the outright printing of greenbacks or, what amounts to the same thing, it may force the Federal Reserve banks to engage in direct buying of government obligations on a large scale. At that stage the public might become so frightened that a tremendous flight from cash and bonds to commodities, equities and real estate might occur. This would be the runaway inflation which many people fear.

This series of events is not inevitable. Whether it is even probable is open to difference of opinion. That it is a possibility is not open to doubt and every one should keep an open mind as to developments in that direction. But those experts who predict with firm assurance that wild inflation is an inevitability assume a heavy responsibility, for no one in recent years has been able to build an enviable reputation as to what was inevitable two or three years hence.

Admittedly the situation is inflationary in kind but not yet in degree. If credit expansion were to occur on a scale permitted by excess reserves, wild inflation would have arrived. But long before that eventuality had arrived the brakes might have been put on by the administration. The President has the power to arrest inflation by raising reserve ratios. He can enhance reserve ratios without limit. Provided only that the President has the courage to resist credit expansion, a wild and uncontrollable expansion is preventable.

The main task is to absorb the burden of unemployment by putting people to work on private payrolls. This is a simple function of recovery. If recovery should not occur within a reasonable period of time, the necessity of a government deficit would assert itself to an extreme degree and the danger of a radical inflation would be multiplied. But given even a moderate degree of sustained recovery, the danger of inflation wanes.

Hence, in reality we have a race between recovery and inflation. The potentialities of inflation have been created but the actualities have not.

If the actualities proceed to a point where wild inflation is threatened the President has ample powers to check it. Whether he will do so depends upon his courage and his willingness to go against the tide.

The monetary policy of the Roosevelt administration is a hastily conceived philosophy. It did not exist before the inauguration. It was brought into existence under duress of economic and political circumstances. Expediency and compromise figure largely in its final definitions. It is still in an experimental stage. But one idea rises above all questions of method, and that is the determination that prices must be raised sufficiently to enable the American people to shoulder the debt burden. By fair means or foul, by orthodoxy or heresy, the administration is determined to achieve that goal.

It has already laid the foundations. It is exerting pressure to erect the superstructure in the form of credit expansion by the banks. But the banks have learned a painful lesson from the experience of the last few years and they are not likely to forget it soon. Hence, the only practical conclusion is that a gradual, creeping inflationary pressure is being exerted on commodity prices and that, although it contains dangers of runaway expansion, such an outcome is far from a foregone conclusion. The writer thinks it will never take place.

If War Should Come

By Philip C. Jessup*

There was a period after Nov. 11, 1918, when people were so glad for peace and so sick of war that they would not buy war books, would not go to war plays or war movies. Publishers and producers sensed the feeling and there was a gap between the heroic propaganda of the Ian Hays and Robert Services and the ghastly realism of the Remarques and Siegfried Sassoons. We waited some years before *What Price Glory?* and *Journey's End* could fill the theatres—waited until many in the audience could miss the tragedy and only shiver delightfully at the thrills. Perhaps Laurence Stallings's picture book *The First World War* belongs to still a third period in which sensibilities can be aroused by only more violent shocks.

Among the peace enthusiasts and the scholars, majority rule dictated paeans of joy at the new era of a warless world and learned studies of all the new paraphernalia of international organization from suppression of the traffic in women and children to international police forces. War was "outlawed" and the outlaw was ostracised. Even that mild and gentle child named Neutrality was not mentioned in polite or academic society. The slogan was not neutrality in thought but peace in thought. We were exhorted to concentrate on the prevention of war, not on the thought of war itself.

Gradually the pendulum swings. The Outlaw is found not to be dead but lurking in the woods, and it is discovered that all nations border on the same forest. The youth and some of their elders contemplate the future possibility of war by foreswearing any participation in it—when it comes. Veterans' organizations advocate legislation now to take the profit out of war—when it comes. Scholars and students of peace begin to reexamine the utility of our traditional neutrality policy as a device for keeping us out of war—when it comes.

Through it all drones the refrain of those who picture the horrors of the next war—the wiping out of cities from the air; newer and more frightful gases; death rays; and all the triumphs of man's inventive genius fiendishly whetted by the patriotic duty to kill for Fatherland and Kultur. The same song was sung before 1914 and long, long before. It has never deterred nations from war because it acts, if at all, on the individual and not on the mass, not on the nation, not on the government. Even for the individual it is too overwhelming and too remote to be grasped except by those in whom it touches and torments the chords of personal memory. Soon, pitifully soon, a new crop has ripened free from memories and incapable of realization. Those impersonal things known as governments respond more readily to the stern high calls of

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national honor and prestige. They seek, often sincerely, the welfare of their country. It is both a material and a spiritual welfare. Would either be served by war today or on a near tomorrow?

The arguments of 1914 are still glibly repeated: No nation can afford to go to war. To wage war you must buy; to buy you must have cash or credit and on a large scale; who has it? To be sure, America financed much of the World War, but we burned our fingers and will now shun the fire. All that can be proved on paper with attractive graphs, conclusive figures and unanswered economic theories and all that has always been disproved whenever war comes. Then the impossible is achieved in self-sufficiency, in taxation, forced loans, in industrial organization, in the incredible substitution of that which is for that which is not but which must be had.

Every one is convinced and no one is governed by the fact that the World War brought on our greatest of all depressions, as lesser wars have brought on lesser depressions; that every nation, victor and vanquished alike, has suffered from disruption of exchanges, channels of trade, credit systems. Every tax and charitable gift for the unemployed cries to high heaven that there is no profit in war, not for the conqueror, not for the conquered. Yet day by day the war clouds roll across the journalistic sky. From week to week we find new danger-spots from the Saar to the Philippines and from the jungles of the Chaco to the deserts of Mongolia.

Perhaps memory is not too short to recall those spiritual or immaterial national losses that came out of the trenches. It was not merely the physical wrecks but the incalculable loss of ambition and initiative which were stamped out of many a potential leader by that army system where "your thinking is done for you." Who will venture to say that the national reserve of industriousness, efficiency and creative ability was put further into the black by the heritage of war? It is superfluous to mention the dead on the debit side of the ledger.

All these things we know and ignore.

A few days ago three men were discussing the Russian Revolution. One was a Russian who had been through it. One was an American who lived in Moscow to study it during its early years. One was an "average American" who had never been to Russia and who knew nothing of revolutions in their raw bloody state but who had met them properly served up inside the covers of books. The conversation turned to the possibility of revolution in the United States.

"Absurd!" said the average American. "You could not have a national revolution in this country with its forty-eight States, each with its separate population types, its separate interests, its different economic and social conditions. What would attract the New Hampshire farmer to a revolt of the workers in the West Virginia coal mines?"

"And think of the agricultural communities of the Middle West," broke in the American who had studied in Moscow. "They may take up their pitchforks to prevent foreclosure on a neighbor's house; they may spill milk cans, but what support would they give to a national revolution? The agricultural revolution in America is impossible."

"That is what they said of the Russian peasant," the Russian commented. "But when the soldiers were drifting back to the farms and thousands of peasants and workers found

themselves with arms in their hands, the revolution came."

"Ah, yes, if war came . . . ," said the American who had studied in Moscow, while the average American looked thoughtful.

When the war ended the allied and associated powers still made common cause against the great Red Terror. Allied armies supported the White forces in Russia and turned belatedly to help Hungary drive Bela Kun from Budapest though they lifted not a finger against the Rumanian invasion which followed the "peace." France's ring of allies ranged the Little Entente and Poland between Western Europe and Soviet Russia as well as around Germany. Now that Russia is a respectable member of the League of Nations, we have largely forgotten the hue and cry about bolshevism which stirred the Western World. It was only in small part the dislike of the system which Russia had chosen for herself; it was largely the dread that the militant world revolution would invade each war-weary land. Although it was kept out of the news at the time, the last published volume of Lloyd George's *War Memoirs* reveals that the avoidance of disaffection among the workers was "the most delicate and probably the most perilous" task of the allied governments.

The Netherlands faced financial disaster by its program of housing and relief to still the rumblings of revolution; Italy went Fascist; Hitler rose to power not solely on a sentimental appeal to anti-Semitism but because he linked Semitism to communism and the Red Revolution. Spain's recent holocaust and destruction of many priceless treasures of art and architecture offer a savage warning. Intelligent observers saw a change in the bellicose French attitude at Geneva based on the government's fear that the army would not move, that the workers would revolt at war.

There was the disquieting mutiny in the British Navy, of which we are reminded by the recent passage in the British Parliament of the National government's "Incitement to Disaffection" bill, which makes criminal even the possession with intent to distribute literature which might seduce the armed forces of the crown from their "duty or allegiance." The original bill was toned down in the face of a wave of protest, but no matter how politically unwise its introduction may have been, its espousal by the government is highly significant.

There is no more fruitful soil for the seed of social revolution than that of war. Marx and Proudhon and Lenin favored and advocated war as furnishing the most solid basis for the revolution. To those who would welcome the revolution, war may be welcome. Revolution bred from the suffering and moral disintegration which are the concomitants of war offers no true indication of the will of the people. The disaffected may rally to any standard which heralds a change from present misery.

As Francesco Nitti, former Premier of Italy, pointed out in an article in CURRENT HISTORY for December, 1932, the middle classes, which are the bulwark against radicalism, are destroyed or ruined by war; "revolutions are produced with particular ease wherever there are only the rich ranged against the poor." In ancient China, where there were few examples of extreme wealth or extreme poverty, there was no place for the social revolution which is in continuous progress in China today. A ruined middle class, driven by despair to join the revolution, awakes to find it has

assumed a new master ruling by force and the counter-revolution is at once conceived. In Russia a middle class was still in the early stages of development and offered no counterweight to the Red Revolution.

In a mild and peaceful form we had a lesson in the United States where the war-born Eighteenth Amendment was swept away by the post-war reaction. Change which comes as a result of the deliberate will of a majority of the people is never undesirable. Change brought about by force in the hands of any minority is rarely desirable or permanent.

Revolution itself is a ghastly price to pay for the alleviation of admitted social evils. Revolution on the heels of war makes a price of such chaos, suffering and anarchy that not even our children's children could reap the blessings envisaged by the optimist. The path of evolution is slowly traveled, but it leads more rapidly to social justice than a path paved with the total wreckage of our world's civilization, defective though that civilization may be.

It may be said with some assurance that the United States need not fear a *political* revolution. The dissatisfaction with the political form of our government is not the kind that rallies any great number of people to rebel. Lord Morley noted that "the forms of government are much less important than the forces behind them." The revelations of a Dr. Wirt or a General Butler suggesting revolution from the left or from the right are greeted with much more of amusement than of either enthusiasm or fear. Political and social revolution may be combined, but we do not have in this country those elements of long-smoldering hatred of a ruling class comparable to the animosity against the Bourbons, the Hohenzollerns or the Romanovs. Although Mr. Richberg may fly an administration kite over the right flank, it can hardly be said that our form of government at present provides an exclusive weapon for the "oppressive employer" to the exclusion of representation of the interests of the farmer and the industrial worker.

There are undoubtedly many who dislike and even dread the trend of our current evolution or who, on the other hand, would gladly increase its pace, but the preponderating forces on both sides are not revolutionary because, as Lawrence Dennis puts it, "revolution is but long pent-up evolution." The evolution in this country is far from being pent up; it is bursting out with almost revolutionary speed. Some contraction is to be expected, but given a peaceful era for continuation of the experiment, many of the gains will be consolidated and absorbed. But if war comes. . . .

One of the weapons of modern war, as Signor Nitti also pointed out, is hate. It was once possible to pay mercenary armies to do the fighting; today national armies must be inspired by hatred and fear. These are dangerous passions to cultivate. Germany was stirred during the war by Lissauer's famous "Hymn of Hate":

> Hate by water and hate by land;
> Hate of the heart and hate of the hand. . . .

That is all very well while the hate is directed against the public enemy. But hate is a restless child which does not sink into obedient slumber at the word of command. It is slowly and insidiously roused. It is like an angry bull which is not pacified by the removal of the red rag which stirred it to frenzy but which will charge again at any new object which attracts its attention.

The potentialities of propaganda

are not confined to a war government's controlled presses and radios; they prosper on the more insidious undercover agencies of conversation and private circulation of printed matter. The solid citizen of peace time and of the temporary period of war-inflation prosperity is deaf to the appeals of the revolutionary propagandist. The same man, freshly discharged from the training in cruelty which he must receive in the army, returning to a ruined community which offers him no livelihood, is a ready listener. Before he might have shrunk from killing, but to that he has become inured.

There is an obvious answer to such alarms and the answer is that none of these dire ills befell us or befell Great Britain or France at the close of the World War. Quite true. The first post-war depression was short-lived and was followed by a great if temporary prosperity. It would be foolish to prophesy what might develop if the next great war does not come for fifty or a hundred years. But conditions today in Great Britain, France, Germany, Japan, the United States, and in the world at large are not what they were in 1914.

The figures of growing unemployment and unrest are too familiar to need repetition. The present burdens of debt and taxation need no reminders. The outbreak of war, skillfully backgrounded on the kind of propaganda which Lasswell and others have described, might be welcomed. There would be enlistment as a refuge for the unemployed; factories would hum with work on war orders.

But wars have at least one favorable aspect—they do stop even though they seem interminable to the participants. When the end comes, government war orders are canceled; expanded factories close; workers are discharged to walk the streets, shoulder to shoulder with discharged soldiers who have been carefully trained to kill. There will be thousands, perhaps hundred of thousands, still insufficiently disciplined and still with arms in their hands awaiting discharge. Will they obey orders to shoot down rebellious fellow-citizens whom they have not yet been taught to hate as they learned to hate the enemy? Or might we see what Lincoln Steffens saw in St. Petersburg in October, 1917, and describes in his *Autobiography:*

"On the afternoon of the third day of the bread riot—which was no riot—out in the great square in front of the Moscow railroad station an infantry officer was trying to command and incite his men to shoot across the open into the quiet mob. They would not. A student standing by jeered at the officer, who, in a rage, thrust the student through. A Cossack in line on the opposite side of the square saw this; he put spurs to his horse, charged from the ranks, and drawing his sword as he rode, he cut that officer down. There was a cry: 'The soldiers *are* with us!' And then there was another cry: 'The revolution! The revolution is on!' "

"Why, then," asks Signor Nitti in his article, "do men of great wealth in all countries, aided by the popular press, advocate large armies and support of the nationalist parties? Simply because the old mentality still flourishes, and people still believe that armies furnish internal and external security."

The cynics, strengthened by the revelations of the Nye committee investigating the traffic in arms and munitions, find the answer in the munitions makers' greed for profits. If it be argued that this is a small group, it is pointed out that the definition of munitions has expanded to include

airplanes, chemicals, motors and raw materials and manufactured articles without number. If there are still to be Rivieras and Bermudas and Miamis, greed for gain may be a powerful motive. In the past there has always been the possibility of escaping troubles at home by flight to a more salubrious social clime. Another World War would send the profiteer on a long journey before he found a refuge, even if he escaped from the certain burdens of war-profit taxation.

Trotsky has remarked that "attempts to save economic life by inoculating it with virus from the corpse of nationalism result in blood-poisoning which bears the name fascism." As a long-term proposition, and having in mind the possibility of international war, the blood-poisoning may well be named "Communist revolution" and under the hypothetical circumstances such blood-poisoning is likely to kill the patient. It can be only blindness that makes the capitalist a bedfellow of Marx and Lenin in welcoming war.

Governments may not respond to sentimental pictures of the soft distant weeping of wives and mothers or to lurid descriptions of air raids or to economic arguments based on unbalanced budgets, non-existent credits and staggering burdens of taxation. Through all these afflictions governments have gone and will go. But what government today dares, on the plea of national self-interest, to risk placing rifles and cartridges in the hands of already disaffected and grumbling millions? Military discipline is a powerful tie, but is it strong enough to bind the social forces which are seething under the lid? Even in Soviet Russia itself the minority group, which controls the mass, turns to the capitalistic lobbies of Geneva to avoid war with its vast potential dangers even to a Communist government. As Lenin saw clearly, war was necessary to the success of the revolution, but more war breeds more revolution; it raises the cry for change from misery and distress, and that cry rings against all government in power whether it be democratic, Communist, Socialist or Fascist.

Despite recognition, vast political distances separate Moscow from Washington. Vast sentimental distances separate bodies like the American Legion from the peace organizations in the United States. In methods and policies Berlin is a million light years from Paris. In contemplation of the clear net loss, in contemplation of the chaos which must follow in the train of any major war imposed upon the world's present flimsy social and economic structure, these distances are bridged, objectives are unified. When there is a choice of policies, one policy is bad only in comparison with another which is better. If one policy leads to war, any other is better, since war would leave us with the task of re-creating a moribund world and, in the words of Waldo Frank, "in a dying world, creation is revolution." To which one may add that in a world dying of the next post-war plagues of total dislocation and disintegration, revolution is suicide. Is it possible that all of us human beings are so insanely stupid that for the sake of driving a bargain with one another we will all destroy ourselves?

The Fate of the Saar

By SIDNEY B. FAY*

ON Sunday, Jan. 13, 1935, the people of the Saar Territory, in accordance with the Treaty of Versailles and under arrangements made by the League of Nations, will vote on whether they are to be united with France or to be reunited with Germany or to remain as at present under the control of the League. This plebiscite makes the Saar one of the danger spots of Europe, for numerous political, religious and economic complications have embittered feeling among the people besides presenting one of the most delicate problems with which the League authorities have had to deal.

The Saar Territory does not form a natural geographical or historical unit. As marked out arbitrarily at the Versailles Peace Conference it comprises a somewhat elliptical area of 730 square miles. It lies where the low hills of the German Rhineland on the north and east merge into the plateau of Lorraine on the south and west. The Saar River, rising in Lorraine, flowing northwesterly close to the French frontier, and emptying into the Moselle to the north, gives the region its name and chief geographic character. One of the main natural pathways between France and Germany, it has been tramped across by invading armies of France and Germany. Today two of the chief Continental railway lines pass through it. Its largest city, Saarbruecken, is an important centre in the network of Europe's automobile roads and air routes. It is regarded therefore as an area of immense strategic value, for offense or defense, to both Germany and France.

The population of the Saar, numbering 828,128 at the end of 1933, is largely concentrated along two axes running at right angles to one another and meeting at Saarbruecken. One axis toward the northwest follows the valley of the Saar and owes its dense population largely to the trade along this natural highway and to the great iron, steel, pottery, glass and paper factories in the cities of Saarbruecken, Voelklingen, Saarlouis, Dillingen and Merzig. At its further end, near the Luxemburg frontier, the dam and hydro-electric station at Mettlach furnish electric light and power to a large part of the territory. The other axis, from Saarbruecken to the northeast through Dudweiler, St. Ingbert, Neunkirchen and Ottweiler, was built up upon the immensely rich veins of coal that give the region its greatest economic importance.

This population is, and always has been, essentially pure German in language, tradition, custom and feeling. According to the census of 1910 only 342 persons in the territory used the French language. Since nobody in Germany at the time ever dreamt of

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the possibility of a French claim to the Saar, this figure may be regarded as absolutely reliable. For nearly a thousand years, from 925 A. D. until the World War, with the exception of two brief periods of conquest by the armies of Louis XIV and the French Revolution (1680-97 and 1792-1815), the territory has always formed part of Germany. Before the French Revolution it was ruled by a tangled network of German princelets and ecclesiastics. In 1914 six-sevenths of the population belonged to the Rhine Province of the Kingdom of Prussia; the other seventh, in the eastern portion, was part of the Bavarian Palatinate. In religion the Roman Catholics, mostly in the Prussian part, comprised 73 per cent; the Protestants, mostly in the Bavarian part, 26 per cent, and the Jews 0.5 per cent (only half the proportion of Jews in the rest of Germany).

Coal is the prime factor in the Saar problem. The very rich deposits are estimated at 9,000,000,000 tons, which, at the normal rate of production, would not be exhausted for 600 years. The total deposits of coal in France are estimated at about 21,000,000,000 tons, and in Germany, minus the Saar, at 175,000,000,000 tons. Except for two small private mining companies, the Saar mines ever since 1754 have been under State exploitation. In 1913 they employed 56,000 workers; in the boom years of 1923-24 during the disastrous French occupation of the German mining area in the Ruhr the figure rose to 74,000; since then it has fallen steadily to 45,000. In 1913, and again during the years 1924-1930 the mines produced over 13,000,000 tons of coal annually; in 1933 about 10,500,000 tons.

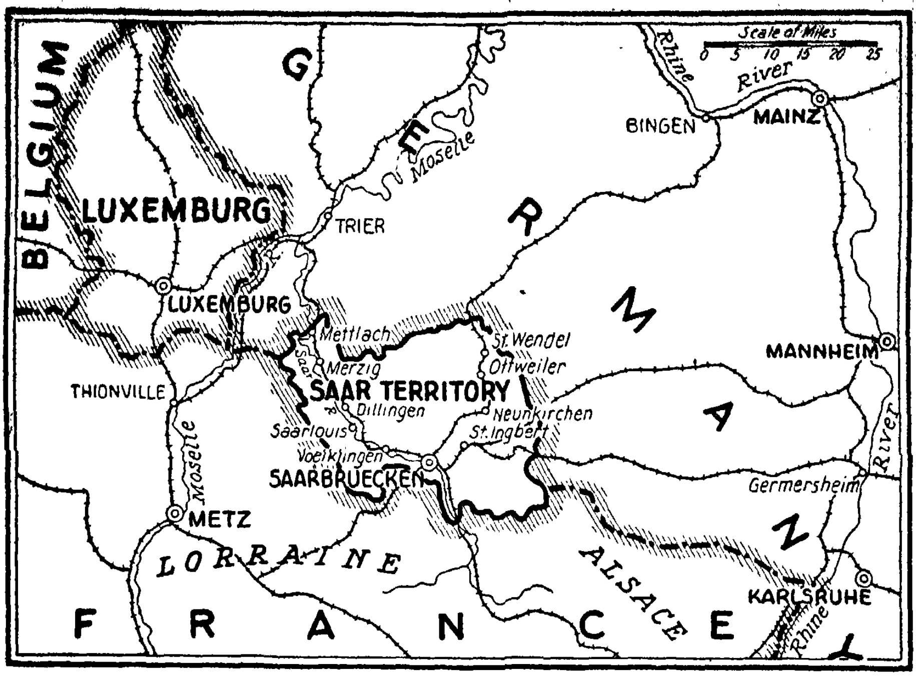
The figures for the consumption of this coal before the World War and twenty years later, in percentages, were as follows:

	1913	1933
In the Saar itself	33.2	36.7
In the rest of Germany (without Alsace-Lorraine)	36.9	10.4
In Alsace-Lorraine	12.7	12.2
In France (without Alsace-Lorraine)	8.2	31.7
In other countries	9.0	9.0
	100.0	100.0

From this it is seen that the transfer of the State mines from Germany to the possession of the French Government, which was one of the provisions of the Versailles Treaty, has made a great shift in the relative amounts of Saar coal exported to Germany and France, and only a slight change in what is used for home consumption in the Saar, in Alsace-Lorraine and in exports to other countries. A considerable part of the quadrupled export of coal to France, being of high gas content, is used for producing illuminating gas for Paris and its suburbs.

In the half century before the World War the Germans built up effectively a great iron and steel industry based on the natural interdependent exploitation of Saar coal and coke and Lorraine iron ore known as *minette*. When the war broke out and the French resolved that one of its absolutely essential results should be the return to France of Alsace-Lorraine they also determined (or at least their leading politicians did) that France should annex the Saar, not only for strategic reasons of self-defense, but even more in order to continue under complete French control the joint exploitation of Saar coal and Lorraine ore. The combination of the two basic natural resources was technically necessary for the most effective exploitation of either.

Consequently at the Allied Conference in Petrograd in February, 1917, which was primarily summoned to de-



The Saar Territory

vise means of helping Russia to aid the common cause, the French delegation exerted its chief influence to nail down the Czar behind the backs of the British to a secret treaty. This treaty promised that France should get back Alsace-Lorraine, and that all the other German territory on the left bank of the Rhine should be detached from Germany and either annexed to France or formed into a separate State. Similar demands were made at the Peace Conference by Foch and some of the other French spokesmen.

But President Wilson would not recognize the obligation of any of the secret treaties and refused to sanction any such gross political mistake as the separation of a solid block of millions of Germans from their Fatherland. It would have meant the creation of a new and more dangerous Alsace-Lorraine.

Clemenceau then insisted that at least France should be allowed to annex the Saar. He argued it on two grounds. The first, wholly false, was that there were 150,000 French-speaking people in the Saar. The second was that the German armies in Northeast France had deliberately flooded and otherwise willfully destroyed the French mines there before their retreat in order to hamper the recovery of French industry after the war. France, therefore, ought to be given the Saar coal mines to compensate her for the loss of her coal resources. There was a great deal of truth and justice in this argument. But when Clemenceau's experts claimed that at least ten years would be required to repair the damage and restore the mines to their pre-war production capacity, they were mistaken. The total coal mined in the two departments of Nord and Pas de Calais in 1913 amounted to 27,000,000 tons; in

1925, little more than five years after the reconstruction work began, it exceeded the pre-war figure, amounting to considerably over 28,000,000 tons. Thenceforth, this second argument of Clemenceau's lost its force.

But at the peace conference these and other arguments resulted in a hastily adopted compromise arrangement, which Germany, in spite of her protests, was forced to accept. Embodied in Articles 45-50 of the Versailles treaty and in an annex of forty sections, commonly known as the Saar Statute, it provided regulations for the exploitation of the mines, the government of the territory and the holding of a plebiscite after a provisional fifteen-year period. In view of Clemenceau's second argument the State mines were transferred in full ownership and free of all debt to the French Government, together with the right to establish and maintain French schools with instruction in the French language for mine workers and their children.

As President Wilson was unwilling to transfer three-quarters of a million of pure German population to French rule, and as dangerous friction was likely to result from German rule in a district in which the mines were owned and exploited by the French State, the government of the Saar was entrusted for fifteen years to the League of Nations. At the end of this period a plebiscite was to be taken. If, as a result of the vote, the League "decides in favor of the union of the whole or a part of the territory of the Saar Basin with Germany, France's rights of ownership in the mines situated in such part of the territory will be repurchased by Germany in their entirety at a price payable in gold. The price to be paid will be fixed by three experts, one nominated by Germany, one by France, and one, who shall be neither a Frenchman nor a German, by the Council of the League of Nations" (Annex, Section 36).

To manage the Saar during the fifteen-year period the treaty provided that the League of Nations should set up a governing commission. Its five members were to be one French citizen, one native inhabitant of the Saar not a French citizen and three members belonging to three countries other than France or Germany, all to be appointed (or reappointed) annually. This arrangement did not work very happily. From the outset the Governing Commission was regarded by the Saar population as alien, biased and pro-French in its administration.

The first Governing Commission, which entered upon its work under the protection of French soldiers early in 1920, gave some grounds for this unfortunate feeling. Its president, who as its executive officer has wide authority, was Victor Rault, a somewhat choleric French bureaucrat. He could not speak German and seemed to think it his task to rule in the interests of the French rather than of the inhabitants of the Saar. He was usually supported by two other members—Count Moltke-Huitfeld, son of the Danish Minister in France, who had always lived in Paris and had a thoroughly pro-French attitude; and Major Lambert of Belgium, who had the feelings natural to a man who had seen his country overrun by the Germans. R. D. Waugh, the Canadian member of the Governing Commission, tried to see that the government was conducted primarily in the interests of the Saarlanders themselves and in an impartial fashion which would not prejudice the later plebiscite; but he, too, knew no German and found himself in a minority with the Saar member.

The latter, Alfred von Boch, soon felt so much out of sympathy with the attitude of the majority of the commission that he resigned after a few months. The League made the mistake of replacing him by a Saarlander named Dr. Hector. This man did not at all represent the wishes of the great majority of the Saar inhabitants. He was regarded as a tool in the hands of President Rault. And eventually he had to resign when he was virtually convicted of perjury in connection with a pro-French letter he had written to Clemenceau during the Peace Conference.

Several questions at once arose to increase the antagonism between the Governing Commission and the Saar inhabitants. The latter wanted the French troops withdrawn and replaced by a locally recruited Saar gendarmerie, as contemplated by Section 30 of the Saar Statute. But, owing to the unsettled conditions in Germany and the fears of the French, it was ten years before this wish was fully satisfied. Saarlanders also complained that the French used political and economic pressure to induce the inhabitants to send their children to French schools at the mines where they might be weaned away from their natural loyalty to Germany; pictures were circulated showing how the French provided buses to transport children to their schools while those who attended the German schools had to tramp on foot.

The treaty provisions for the incorporation of the Saar in the French tariff system and the right of the French to use the French franc instead of the German mark were used, so the inhabitants felt, to break the economic bonds with Germany and tie them more closely to France. French military tribunals tried and expelled Saarlanders from the territory, and no reversal of a verdict could be obtained except by appeal to the President of the French Republic.

Thus from the beginning there was hostility between the Governing Commission and the people over whom they were appointed to rule. Protests by Saar inhabitants to the Council of the League at Geneva eventually brought some relief. In 1922 the Council granted the request of the Saarlanders for the creation of a kind of Saar Parliament or Assembly (*Landrat*) of thirty elected members. The election was fought on German party lines, resulting in the choice of 16 Centre (Roman Catholic), 5 Social Democratic, 4 People's party, 2 Communist and 3 other members. But the Assembly had no initiative or real legislative power, not even the privilege of nominating to the League the Saar member of the Governing Commission.

After twelve years the real or imagined pro-French tendencies of the Governing Commission had produced a feeling of oppression among the great majority of the Saar inhabitants which only served to strengthen their attachment to Germany and made it seem practically certain that the plebiscite would be overwhelmingly in favor of reunion with the Reich. Most of the French had gradually become reconciled to this outcome.

But with the rise of National Socialism and the triumph of Hitler in 1933, new complications arose. Saar Roman Catholics became alarmed by the Nazi suppression of the once powerful Centre party in the Reich and the domination which the State sought to exercise over the church. Many Socialists and Communists feared that if the region were reunited with Nazi Germany in 1935 they would be relentlessly crushed, as these groups had been crushed in the

Totalitarian State across the Rhine. They were skeptical about the advantages of giving up their strong trade unions in favor of Hitler's Labor Front. The tales of the many refugees from Germany of what was happening under Nazi rule were not calculated to arouse enthusiasm among Saar inhabitants.

These new factors encouraged pro-French partisans in the Saar, acting in cooperation with Saar Socialists like Max Braun, to renew their activities in trying to persuade the Saarlanders of the advantages of voting to have the Saar remain under the League of Nations after 1935 or to have it divided between France and Germany. To combat this agitation Nazi emissaries from Germany began to wage what the Governing Commission regarded as "a terroristic campaign" to insure a German victory in the plebiscite.

This caused an increasingly dangerous ferment in the Saar. To end it and to improve the diplomatic relations between France and Germany, von Papen and Hitler both proposed early in 1934 that the plebiscite should be abandoned and that the two countries should enter into direct negotiations for giving the Saar back to Germany at once. Though much was to be said in favor of this proposal, the French, as consistent upholders of the Versailles treaty, rejected it.

The Council of the League of Nations therefore took up the problem. It appointed a committee of three of its own members, under the chairmanship of Baron Aloisi of Italy, to hear conflicting complaints of various groups from the Saar and to present recommendations in regard to the plebiscite. The committee's report, adopted by the League Council in June, 1934, fixed the date of the plebiscite for Jan. 13, 1935. It set up a Plebiscite Commission of three members to organize and supervise the vote, and a Supreme Plebiscite Tribunal, with eight divisional tribunals, to decide disputes over the right to vote and over breaches of law in connection with it. The French and German Governments accepted these arrangements, agreed to advance 5,000,000 French francs each to cover expenses, and promised to abstain from any kind of direct or indirect pressure likely to affect the voting.

During the Summer the Plebiscite Commission, consisting of Rodhe of Sweden, Jongh of the Netherlands, and Henry of Switzerland, drew up lists of those entitled to vote, that is, of all persons of both sexes who were residents of the Saar on June 28, 1919, when the treaty was signed, and who would be over twenty years of age on the day of the plebiscite. The basis for these lists—birth, death, and tax registers, old voting lists in use before 1919, &c.—had been assembled by a League commissioner soon after 1919 and kept for future use. The voting lists as drawn up by the Plebiscite Commission contained about 543,000 names.

These lists were posted on large bulletin boards throughout the Saar on Sept. 26, and remained open for a month for persons to claim corrections. These preparations had, up to the time of writing, proceeded smoothly and no serious disorders had occurred.

Nevertheless, the ferment in the Saar continued at a high pitch during the Summer and Fall. Hitler's "purge" of June 30, involving the assassination of two leading German Catholics, Dr. Klausener and Dr. Probst, caused intense indignation among Saar Catholics and encouraged renewed hopes among those Saarlanders who want to continue, for a while at least, under

the control of the League of Nations. A new anti-Hitler Catholic newspaper, the *Neue Saar Post,* was founded to influence the plebiscite against reunion with Nazi Germany. A petition signed by two hundred was sent to the League asking whether, if they voted on Jan. 13 in favor of remaining under the League, they would have an opportunity to vote for reunion with Germany at some later time when the present Nazi régime has been modified. But this proposal would not be in accord with the intention of the Versailles treaty, and would be regarded by Germany as prejudicing the plebiscite of Jan. 13 against herself.

Part of the ferment was due to the measures of the Governing Commission and its President, Geoffrey G. Knox, an Englishman. He had a delicate and difficult task. He inherited from his predecessors the unpopularity and antagonism with which the Governing Commission has been generally regarded in the Saar. Yet he felt responsible for preserving order in the region and for seeing that the German Nazis do not interfere with a free and peaceful plebiscite. Speeches by Hitler, Goebbels and others in Germany insisting that the Saar will and must be reunited with Germany, the alleged "terroristic campaign" of German Nazis in the Saar, and the events connected with the assassination of Dr. Dollfuss in Austria made Mr. Knox nervous.

He desired that the League of Nations should supply him with an international armed force or authorize him to recruit 2,000 police from the German-speaking population of some foreign country, like Switzerland or the German Tyrol region of Italy. But none of the countries suggested wished to send their troops on such a mission, though they would not prevent their citizens from private enlistment in the Saar police. Mr. Knox therefore recruited several hundred such persons. But the great majority of the Saar inhabitants have been steadily opposed to any such international force, not only on account of the expense which they would have to bear but because they believed that the local police were fully competent to deal with all aspects of the situation.

In recruiting additional police in the early Spring Mr. Knox appointed several German refugees, and even gave them command over local Saar police. This piece of tactlessness caused general indignation in the Saar, tending toward trouble instead of peace and quiet, and it aroused the anger of the Nazis in Germany. One of the German refugees appointed police commissioner at Saarbruecken was Herr Machts. When the Policemen's Association of the city protested against using refugees from Germany as Saar police officials, Mr. Knox declared this was an act of insubordination, ordered the Policemen's Association dissolved and wrote a long letter to the League of Nations attempting to justify his action. In reply a long letter denying his statements, complaining of his arbitrary suppression of newspapers and citing other alleged pro-French activities was sent to Geneva by the "German Front" in the Saar.

This organization, formed several months earlier after the voluntary dissolution of most of the former political parties, sought to consolidate Saar opinion in favor of reunion with Germany. It numbered over 450,000 persons, claimed that it represented 93 per cent of the future plebiscite voters, and controlled the policy of most of the Saar newspapers.

A police detachment, said to have

been led by Police Commissioner Machts and acting under the authority of Mr. Knox, made a search of the premises of the German Front at Saarbruecken on July 20, carried off a quantity of documents, turned off the gas and water, and closed and sealed the doors. The German Front demanded back its papers. A Saar court of law, after examining them, ordered their restitution, but Mr. Knox cited a clause in an old Prussian law as justification for retaining them, thus bringing himself into direct conflict with the Saar law courts.

In a letter to the League of Nations, made public on Sept. 1 and giving extracts from the seized papers, Mr. Knox declared that they contained evidence that the German Front was maintaining constant relations with the Nazi authorities in the Reich and was engaged in espionage; that some 16,000 young Saarlanders had been serving in the German Labor Camps; and that he feared they were getting a military training and might try to use force at the time of the plebiscite. The German Front and the German Government published statements aiming to show that his suspicions and fears were without foundation. Moreover, French troops close to the Saar frontier are prepared to intervene if the Nazis should attempt any kind of putsch on Jan. 13.

As to the probable outcome of the plebiscite there are two schools of opinion. Both are agreed that the vote in favor of union with France will be negligible except possibly along the French frontier and in the Warndt mining corner, where economic self-interest might sway the voters in favor of France. The main contest will be between reunion with Germany and continuance under League control. In favor of the latter, one school argues that the Saar is not nearly so pro-Nazi as appears on the surface; that, as the ballot is secret, large numbers of the Catholics, Socialists and Communists will prefer to retain such liberties as they now have rather than be brought under the authority of the Totalitarian State; and that they believe that their economic condition will be better under the present régime within the French tariff system than if reunited with Germany, where economic conditions are regarded as bad.

The other school maintains that economics and religious and political questions will be completely overbalanced by the one outstanding fact that the Saar is German, and that on the ground of national German feeling the great majority will prefer to sink or swim with Germany. It points to the fact that League rule under the Governing Commission has always been unpopular and that in the minds of the great majority of the Saar inhabitants the experience of the past fifteen years shows that control by the League is merely a disguised form of control by France. It believes that the youth of the Saar has been powerfully affected by the same kind of enthusiasm for National Socialism which has made possible Hitler's triumph in the Reich, and that the same sense of long injustice and oppression which consolidated opinion in Germany behind Hitler will consolidate opinion in the Saar against a continuance of the Versailles treaty arrangement. (Later developments in the Saar controversy are dealt with in the "Month's World History" section.)

Toward Nationalized Railroads

By WINTHROP M. DANIELS*

WHETHER the Federal Government shall take over the railroads is fast ceasing to be an academic question. It is now by no means impossible in the near future. Joseph B. Eastman, Federal Coordinator of Transportation, reported to the Senate in January, 1934, that "theoretically and logically public ownership and operation meets the known ills of the present situation better than any other remedy . * * * When an industry becomes so public in character that such intimate regulation of its affairs becomes necessary, in strict logic it would seem that it should cease to masquerade as a private industry and the government should assume complete responsibility, financial and otherwise."

It is true that the Coordinator does not at present recommend public ownership and operation "because of the impaired economic condition of the nation" and because "the immediate burden upon the public finances might be great." But his judgment as to the eventual solution is unmistakably clear, and there are some grounds for thinking that he overestimates the financial load which the government would immediately assume were it to acquire control.

For several reasons, eventual government ownership is not unlikely. In the first place, the roads as a rule have been upon a prolonged fast. They entered the period of depression fairly well able to weather a moderate recession of business, or even a major recession, if not unduly protracted. With ample cash assets, many of them contintued dividend disbursements for some months after net operating income had declined or disappeared. Apparently they thought to make a calm by laughing at the storm. But the depression continued, and shows no signs of abatement.

It is frequently said that a newly launched enterprise must expect to encounter an initial "starving period" of several years before it begins its earning career. But when, after attaining maturity, it is called upon again to undergo a five-year famine, the outlook for eventual recovery is far from hopeful. In January, 1934, some 75 railroads, operating a total of 42,340 miles, about one-sixth of the total in the United States, were in receivership or subjected to court control under the Bankruptcy Act. Had the RFC not gone to the rescue with large loans the insolvent brotherhood would have inevitably grown. As a drowning man will clutch at a straw, a starving corporation will accept financial aid from an alien source even at the sacrifice of its former independence.

This dependence of the railroads upon the government is shown by the extent to which they have sought and received government aid. The PWA has advanced about $200,000,000 to roads which ventured to continue with new construction projects or to make good some part of their deferred maintenance. The RFC has lent over $400,000,000 to various car-

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riers on the verge of bankruptcy. *What is not fully realized* by the roads or by the public is that every time Uncle Sam dips one hand deeper into his pockets to aid distressed railroads the further forward he reaches his other hand toward taking complete control.

The case has its parallel in the advances made by the government in the last eighteen months to needy banks. Where in return for financial assistance the government induced banks to issue and sell to the Treasury the new preferred bank stock, or to make the Treasury a preferred creditor for capital loans, the government became not a sleeping but a senior partner. Over 90 per cent of the assets of the Federal Reserve Banks and about 30 per cent of the assets of member banks consist of government securities. The Treasury has thus strengthened its stranglehold on the banks until they have become fiscal satrapies whose chief function is to absorb new government loans at dictation. Should the credit of the government fall but moderately, banks whose assets are chiefly in government bonds would see a practical disappearance of the equity of the common stockholders, and could readily be nationalized on reorganization if the Treasury asserted its preferred position.

That the borrower is servant to the lender has long been an established axiom. It applies also when the government functions in the lender's rôle. The situation when Federal control of the railroads was ended in March, 1920, differed markedly from the present situation. Under war emergency, the Federal Government had assumed their operation. Despite the rise in prices and costs attendant upon the war, the Railroad Administration did not deem it wise to raise rates sufficiently to recover the costs. When the roads were returned to the owning corporations it was generally conceded that until a new and higher rate structure, adjusted to the new level of prices and costs, was set up, the carriers because of their previous involuntary captivity could not pay their way. Moreover, during the government administration additions and betterments had been made with the primary objective of providing war transport, not with a view to supplying the new capital requirements which normal peacetime operation would have demanded.

The railroad loans which were therefore provided in the Transportation Act of 1920, as the outcome of previous Federal control, were intended only for the temporary assistance of the carriers, to help them emerge from a situation into which they had been plunged by previous government action. The existing loans from the RFC are of a totally different character. Instead of being a virtual reparation for embarrassments previously created by the government, they are frankly eleemosynary, with a repayment string attached. With the government in the rôle of Lady Bountiful, it may not be strange that the railroads sought the shelter of public credit. If it was to be the function of the government to lend to the banks, to the farmers, and to necessitous debtors generally, why not to the railroads? They but acted as did the individual who avowed: "When I saw everybody holding out his hand, I held out my hat."

Unfortunately for the railroads, by accepting government aid they expose themselves to having thrust upon their directorates a representation of the lending interest. It is difficult for them to explain why he who pays the piper shall not have a voice, at least, in calling the tune. It is not

alone the "sons of the wild jackass" who ask the question and who suggest the answer. The Coordinator himself, in his first report, remarked in reference to requiring Federal incorporation to enforce railroad consolidation that "the Craven plan of public directors on the boards of such corporations should be put to the test, when and where the commission finds that it can be tried without detriment to other railroad companies not having such public directors."

It is also strongly urged that only by the intervention of public authority in the field of managerial judgment can waste and preventable expense be avoided. Thus, the Coordinator recently ordered the Louisville & Nashville to continue the interchange of through passenger-train equipment for the Dixie route with the Chicago & Eastern Illinois at Evansville, Ind., when the Louisville & Nashville had arranged to operate its equipment between Evansville and Chicago over the New York Central Lines. The Coordinator based his order on the ground that unnecessary duplication of service and unnecessary capital expense must be avoided.

Moreover, the series of reports which the Coordinator is issuing calls attention to extensive economies which might be secured by various changes in railroad operation. The Merchandise Traffic Report suggests potential annual economies of over $87,000,000. The report on the proposed pooling of box cars gives $75,000,000 a year as a "conservative estimate of the operating savings possible." No doubt when the Coordinator's staff issue their reports on the present conduct of carload freight traffic and passenger traffic, other extensive potential economies will be disclosed.

These so-called "wastes of competition," which inhere in persistent carrier rivalry, and which would be saved by a cooperative railroad policy, do not necessarily imply government ownership as the sole remedy. Either a greater degree of voluntary cooperation through a wide extension of the pooling device, or the actual consolidations of railroad properties might achieve similar economies. But if the roads are reluctant to apply pooling arrangements, and if their finances for the time being preclude consolidation, the alternative of realizing the alleged possibilities of vast economies in operation is said to lie in government compulsion or government operation.

The reason assigned by the Coordinator for not recommending government acquisition of railroad properties at the present time is the "impaired economic condition of the nation" and the heavy immediate additional burden that would be laid upon the public finances. Waiving altogether the prior question of the desirability of government-owned roads, we would suggest that the difficulties to immediate government acquisition are not as great as the Coordinator assumes.

The impaired economic condition of the nation is reflected in that of the railroad companies as a whole. The par value of their aggregate stocks in the hands of the public is about $7,150,000,000. With Pennsylvania shares, for example, selling at 45 per cent of par, New York Central at 20 per cent of par, Baltimore & Ohio at 15 per cent of par, and shares of lesser companies at prices far lower, it is conservative to estimate that the aggregate current market value of railroad equities is not one-third of their par value. Even when allowance is made for the few exceptional properties such as the Union Pacific and the Pocahontas Roads, and the guaran-

teed stocks of certain leased lines, the aggregate market value of railroad equities can not be more than about $2,350,000,000. It is hardly necessary to suggest that corporate control may be secured with no more than a 50 per cent interest.

A little over $1,000,000,000 would have been the cost of securing government control of the railroads of the country, had the marketing operations been possible with requisite secrecy and dispatch. Several times that sum has been spent by the Treasury on various forms of "self-liquidating" projects and public works. The so-called profit from the debasement of the gold content of the dollar would have been more than ample to finance the acquisition. Had the extreme New Dealers had the imagination and audacity which prompted Disraeli to buy the Suez Canal shares for Great Britain, or which moved Jefferson to buy Louisiana for the United States, they could have achieved government control of all railroad properties in the United States, and Congress would have fallen over itself in its haste to ratify the acquisition.

True, the roads thus acquired would have been burdened with funded debt charges of $500,000,000 a year. But this debt service charge and also annual taxes paid by the railroads are now in great part earned by the roads from their current operations; and if the economies recited by the Coordinator's reports were remotely realized, the bond interest would be taken care of by the properties themselves, with no additional burden on the public finances. In short, the prevailing market levels of railroad stocks would have afforded the government an opportunity of buying control of the entire railroad system at a minimum cost.

The final reason why government ownership seems possible in the not distant future is that holders of railroad bonds have become very much discouraged over the future of these assets and are only too ready to listen to a proposal to exchange them for government securities. Something like $3,000,000,000, or about 15 per cent of the total investments of life insurance companies, are said to be in railroad bonds. The mutual savings banks hold perhaps another $1,000,000,000 of the same securities. The Coordinator reports that numerous executives of insurance companies, banks and similar institutions, as well as large individual holders, "are beset with fears with respect to railroad investments"; that the "confidence inspired by the provisions of the Transportation Act, 1920, has gone, and disillusionment has taken its place."

"In the five years ending in 1938," says Vice President County of the Pennsylvania, "close to $2,000,000,000 of railroad debt matures, and must be refunded, including part of the large short-term borrowings from the government for improvements and maintenance." The president of the Security Owners Association, in the pending case asking an advance in railroad rates, testified before the Interstate Commerce Commission on behalf of the association's members, who hold in excess of 40 per cent of the par value of the total outstanding railroad funded debt, that "the confidence of investors, who have in the past provided the railroads with capital through the purchase of their bonds, has been based largely on the belief that regulation meant stabilization of return. The drastic shrinkage in market values, and the actual or threatened cutting off of return on investments, has shaken that confidence, but the belief that regulation must and does recognize its function still

persists." He therefore asked on behalf of 60,000,000 life insurance policy holders and 13,000,000 depositors in mutual savings banks "immediate constructive relief." If that should not be forthcoming, he thinks "there can be little basis for the expectation that they [the railroads] will play an important part in the economic recovery of the nation."

To summarize: The likelihood of government ownership and operation of the railroads in the not distant future is due to the large existing burden of railroad indebtedness to the Federal Government; to the impending maturities of railroad debt which threaten widespread insolvencies if government loans are not further extended; to the depressed market price of railroad stocks, which would make available a controlling interest at a low figure; and to the eagerness of the largest holders of railroad bonds to surrender them in exchange for government obligations.

If one were foolish enough to essay the rôle of a prophet and to leave out of one's reckoning those unexpected occurrences which always bedevil the prediction of future social phenomena, the prophecy would run as follows: First, in the pending rate advance case the carriers will receive half a loaf or none at all; second, the next session of Congress will not establish effective and comprehensive regulation of the railroads' competitors, nor cease to accord virtual subsidies to motor traffic highways and to inland water routes; third, increased receiverships, in the absence of an industrial revival, will follow; and as the outcome, a substantial policy of nationalization will be inaugurated. Of course, there may be a miraculous way of escape, but unfortunately, the divinity who in the past has always been supposed to take special charge of children, drunken men and the United States of America seems to be gone on a far journey.

The probable drift toward nationalization will be speeded up, then, with the prolongation of industrial depression. But it is one thing to recognize the drift, and another to ride complacently with the current. The deadening effect of bureaucracy and the poisonous effect of politics on industry would both have to be encountered if the government owned and operated the railroads. Even the Coordinator would put control, if the railroads were nationalized, in the hands of a non-partisan political body of trustees. As he says, "the tendency in countries which have public ownership and operation is now definitely to separate the railroads from ordinary governmental activities and make them autonomous, non-political enterprises." Whether this ideal could or could not be realized, it is significant that it implies the need of supermen for the job, and evident distrust of "that crafty and insidious animal called a politician."

There is no use, however, in imagining that the imminent danger of nationalization can be avoided by the carriers through a supine policy of leaning on the government credit—while it lasts—or by invoking the special solicitude of Congress upon the widows and orphans whose income depends on railroad bonds. It is only by a rigorous self-regulation that they can escape the calamity that yawns before them. They will not be able to shame Congress into a decent respect for their rights until they have done for themselves what both prudence and principle dictate. What are some of the things that this policy involves?

First, it means eliminating from the property accounts of the railroads a

quantity of alleged assets whose only title to the name is their past cost. The issue is not one of overcapitalization in the old sense of the term. Only those with "water" on the brain can be blind to the fact that the aggregate of railroad securities outstanding in the hands of the public is less than the actual investment in the properties. But there is nothing sacred, in the economic sense, in the magnitude of past cost incurred, even though it be beatified as "prudent investment." Many of these past investments are today one with Nineveh and Tyre.

There are thousands upon thousands of branch lines of railroad whose value to their owners, or whose necessity to the public, is wholly negative. While there have been many petitions by carriers to abandon some parts of their mileage, the corresponding duty to amortize their capital obligations is apparently neither conceded by the carriers nor emphasized by the Interstate Commerce Commission. L. F. Loree, president of the Delaware & Hudson, asserts that there are 70,000 miles of tracks that ought to be discarded. Keeping their cost in the balance sheet figure as part of the live investment in road and equipment is simply idle and misleading.

Correlative to a realistic write-down of assets is a reduction in capital liabilities, such as a lessening of the par value of stock, and eventually an amortization of the bonded indebtedness incurred for these vanished elements of value. In his supplemental report to that of the so-called Coolidge Committee, Alfred E. Smith hit bedrock when he observed: "I am satisfied that the general public will not tolerate writing up values or increasing rates merely upon the theory that a great many railroad securities are held by savings banks, trustees and insurance companies as security for widows, orphans or other beneficiaries of trust."

In the second place, the railroads must show more disposition to effect operating economies along new lines, especially those that involve conjoint action through the use of the pooling device. Many of the paper savings that the Coordinator's staff are displaying in their reports will no doubt disappear when and if the proposed new methods are attempted. But there will probably be a considerable residuum that can and ought to be realized. In some instances demonstrable economies are obtainable by doing away with needless duplication in competing lines. Clearing house arrangements for interline settlements illustrate another possibility. Until the roads exhaust their capacity for self-help they cannot look for relief at the hands of Congress. The only possible reform that may come promptly from Congress is a statute that would forcibly expedite the reorganization of bankrupt railroads.

Even if the carriers came before Congress with an absolutely clean bill of health, it is by no means certain that they could, without tireless effort and disheartening rebuffs, obtain the legislation which they may claim as of right and not of favor. That Congress should extend regulation to the railroads' competitors by highway and waterway is abundantly clear. That subsidies should be withdrawn from these competitors is dictated by every just consideration. Eventually, when the opposition of self-interested lobbies is overcome, this result may obtain. In the meantime, the whole mechanism of transport may have been nationalized.

Gandhi: Politician With a Halo

By LESTER HUTCHINSON*

In these days of demagogues and forceful personalities the mean and undersized figure of Mohandas Karamchand Gandhi is an anachronism in the political world. Yet, with all his apparent meekness and lack of personality, in his own way he is a most effective orator and as arrogant a dictator as any, with a personal following far greater than that of any other politician of modern times.

Although his dictatorship of the Indian nationalist movement has been recently disputed, Gandhi is still the chosen messiah of millions of his fellow-countrymen. He exerts an influence that is not confined to India, for it has spread throughout all Asia and has even penetrated the materialist strongholds of Europe and America. But it is a spiritual rather than a political influence, and it is as a saint that Gandhi has captured the world. His apotheosis in India, where he bears the title of Mahatma, or "Great Soul," is emulated in Europe and America, where he is regarded generally as a saint who strayed into politics.

His meager appearance, his asceticism and avowed contempt for worldly wealth, his obscure mysticism, his oracular but often incomprehensible utterances, his confusing and metaphysical explanations of his political moves, his spectacular crusades on behalf of "the downtrodden and oppressed," his training as a lawyer and his proficiency in the art of sophistry admirably fit Gandhi for the rôle of saint. Yet, unlike most of the major and minor prophets, he contributes nothing new to spiritual philosophy. His gospel is a pot-pourri of Tolstoy, the Hindu Vedas, the Sermon on the Mount and theosophy. Based on his saintliness alone, Gandhi's fame would have been localized and transient. He has achieved world fame because his saintliness has been superimposed on his political reputation as a nationalist leader who was once able to shake the foundations of British rule in India.

Gandhi's early life was passed in comparative obscurity. Having been called to the bar in England he joined the army of predatory lawyers which is at once India's pride and affliction. Later he settled in South Africa, where he soon achieved a local reputation among his exiled compatriots as a sharp-witted lawyer. It was during this time that he began to study the works of Tolstoy, which provided him with the germs of his theory of *Satyagraha,* or the power of passive self-sacrifice over brute force. He soon had an opportunity to test his new theory in practice.

Indians in South Africa at that time suffered under disabilities imposed by a suspicious and unfriendly government. Two of these disabilities, the poll tax and the Asiatic Law Amendment Ordinance, caused the Indians

*Mr. Hutchinson, an English journalist who became acquainted with Gandhi during several years' residence in India, regards him from a point of view markedly different from that of previous articles published in this magazine. Though Gandhi has since this article was written resigned the presidency of the National Congress, he remains, in or out of office, a potent force in Indian politics.

to initiate a movement of protest. Gandhi sprang into the leadership of this movement, which he conducted according to his new theory of "Soul Force," or in other words passive resistance. The South African Government was so charmed by this political novelty that it agreed to a compromise. This, Gandhi's first essay in what he was afterward to call "Civil Disobedience," sent his stock high among the Indians in South Africa.

It is interesting to note that Gandhi's championship of the oppressed was confined only to his fellow-countrymen. As far as other oppressed peoples were concerned, his attitude was pro-imperialist. He made this clear by supporting the British Government during the Zulu War and again during the Boer War.

Gandhi returned to India at the beginning of 1914. His South African success had already made his name known in Indian public life, and his eccentricities and religious asceticism soon attracted to him a group of disciples, with whose help he propagated with moderate success his philosophy of *Satyagraha*. By the time the World War broke out he enjoyed considerable influence as a religious reformer, an influence which he used in support of the government's propagandist and recruiting policy.

The war had the general approval of the Indian middle class, partly because of the promises of political and social reform made by the British Government, but chiefly because of the opportunities provided for the development of native industry. Before the war imperialist policy, interested in preserving the British monopoly of the Indian market and of the natural resources of the country, had been one of obstruction and hostility toward any attempt at industrial expansion by Indian capitalism. As a result of this policy the development of native industry has been accompanied by a ceaseless struggle against the determined resistance of British capitalism, which, holding political power and controlling the main branches of industry, railways, sea and river transport, banks and the credit system, succeeded in its opposition until the outbreak of war. The war disorganized industry in Great Britain, and that, with the necessity of conciliating the Indian middle class during this crisis, forced the British to make concessions which were immediately used by Indian capitalists to establish native industry on a firm foundation.

After the war the conflict was renewed on a much wider basis. The government in the first place showed no signs of fulfilling its specious wartime promises. Instead, it speedily returned to its former policy of obstruction and hostility to industrial expansion. In this renewed conflict Indian capitalism was compelled to find a weapon of offense and it found one in the discontented peasantry. The Indian capitalists resolved to mobilize the existing popular discontent with alien rule in order to bring mass pressure on the government to force industrial and commercial concessions. The political organization of the middle class, the Indian National Congress, was given the task of harnessing the economic and political discontent of the lower middle class, the peasantry and the industrial working class to the chariot of the mill owners and financiers of Bombay, Ahmedabad and Calcutta.

But the weapon of mass pressure is often a boomerang. The organization of mass discontent for a particular purpose, divorced from the economic interests of the masses, is both difficult and dangerous, and the Indian middle class began to look for a

political philosophy suited to its necessity of utilizing while emasculating a perilous mass movement. It was at this crisis that the Indian middle class remembered Gandhi.

At this time Gandhi had subsided into relative obscurity. He was chiefly occupied with schemes for the spiritual regeneration of his countrymen, explaining to his puzzled and doubting followers that Home Rule began with self rule. His habit of indulging in metaphysical puns has become more confirmed with the passing years. He welcomed the chance to put his theory of the efficacy of "Soul Force" and "non-violence" into practice on a much larger scale than he had in South Africa. The agitation resulting from the general dissatisfaction with the proposed reforms embodied in the Montagu-Chelmsford Report, and directed against the government's attempt to alter the criminal law on the basis of the drastic recommendations of the Rowlatt Commission, gave Gandhi his opportunity. Within an amazingly short period he mobilized the people on his program of *Satyagraha*, and launched an unprecedented movement against what he called "the satanic government."

The immediate success of the movement was so great that it not only shook the very foundations of the government but surprised and alarmed Gandhi as well as the financial and industrial magnates and landlords who supported him. It was not long before the desperate peasantry, rejecting the essential part of Gandhi's philosophy, the policy of *Ahimsa* or "non-violence," began to show a tendency to transform the movement from a well-regulated and passive protest into an active insurrection against the native landlords as well as against an alien government.

In spite of Gandhi's fasts and public acts of penance, serious riots broke out all over India, culminating in the violent insurrection of the Moplahs, the Moslem peasantry of Malabar, which was mainly directed against the oppression of Hindu landlords. This rebellion was followed by a serious attack on the police at Chauri Chaura in the United Provinces, which provided Gandhi with a pretext for abandoning a movement which was becoming impossible to control. Accordingly, in February, 1922, the civil disobedience movement was suspended, and a safe program of limited agrarian reform, the Bardoli program, took its place. Having successfully broken the movement, Gandhi was arrested and sent to prison, obtaining his release in February, 1924, after a serious operation for appendicitis.

Civil disobedience was discontinued by its leaders not because it was defeated but because of its alarming success. Indian capitalism with the help of Gandhi had involuntarily created out of the misery of the people a monster which it was unable to control: it found itself in the rôle of Frankenstein.

The starving peasant, the sweated worker, the impoverished intellectual had discovered the power of organized mass action. This discovery transformed the whole conception of Indian politics as something esoteric and confined to the propertied and professional classes into a mass political movement based on the economic discontent of the illiterate and hitherto despised worker and peasant. It became apparent that in future the pace of political progress would be set by the mass of the people and no longer by the Indian middle class, who, caught between economic conflict with imperialism and the fear of revolution, would have to perfect a way to retard the revolutionary tempo.

The arrival in 1928 of the Simon Commission, appointed by the British Government to study on the spot the problems connected with Indian constitutional reform, precipitated the storm. Its findings were anticipated by the Indian National Congress, which established a committee of its own for the same purpose under the chairmanship of the late Pandit Motilal Nehru. The child of this committee was the famous Nehru Report, which proposed rather vaguely the same status for India as that enjoyed by the Dominions.

The Nehru Report satisfied nobody except the Indian capitalists, and it was with the greatest difficulty that Gandhi and the Congress leaders succeeded at the annual session of the Congress, held at Calcutta in December, 1928, in securing the adoption of a resolution demanding "Dominion Status" on the basis of the Nehru Report. The British Government was given one year in which to comply. This attempt to postpone the issue for a year in the hope of pacifying public opinion did not shelve the problem. The uncompromising temper of the people forced the middle class to reject the Viceroy's invitation to attend a round-table conference to discuss constitutional reforms with the British Government. This eleventh-hour attempt to avert the crisis failed, and the year of grace given to the government at the Calcutta session of the Congress came to an end.

The next annual session of the Congress met at Lahore in December, 1929, in an electric atmosphere of challenge and defiance. In spite of the opposition of the middle-class leadership, the rank and file declared war on the government. The goal of the Congress was declared to be complete independence for India, and the leaders were forced to accede to an immediate movement of non-cooperation and civil disobedience, to be continued until this goal was attained. By agreeing to the movement the leaders succeeded in maintaining control; Gandhi was appointed dictator with full powers.

The Indian middle class realized that side-tracking tactics were needed —a program that would be attractive on the surface but harmless in reality. The new dictator after careful consideration supplied such a program; it consisted mainly of defiance of the Salt Law, boycott of foreign cloth and peaceful picketing of shops dealing in foreign cloth and liquor. It is significant that Gandhi ignored the really repressive imperialist laws, and carefully selected the Salt Law for his attack on the government. The suggestion that the Salt Law was chosen in preference to any other as being the least likely to lead to dangerous results is supported by the fact that, although the government has the salt monopoly in India, the tax on that commodity is negligible.

Imprisonment was made an end in itself, and as Gandhi forbade any legal defense the government had no difficulty in confining the more dangerous elements within four walls. Although the peasantry and the lower middle class had been steeped in the doctrines of "non-violence" and "Soul Force," serious riots broke out, particularly at Delhi, Sholapur and Peshawar. Most serious of all was the growth of restiveness among the peasants, who began to demand a movement against the payment of rent and taxes. At this critical juncture the Indian middle class, alarmed at the prospect of its lead being repudiated, again called on Gandhi to abandon the rôle of messiah for that of executioner.

Gandhi therefore negotiated a truce

with the government, which ended in his complete capitulation at the beginning of 1931. This capitulation was dignified with the name of the Gandhi-Irwin pact. Having surrendered, Gandhi toured the rural areas in a vain attempt to persuade the peasants to pay their dues, and then, adjusting his halo, departed for London, there to take part in that same Round Table Conference which he had denounced so indignantly a few months before.

The economic condition of the peasantry in 1931, after the Gandhi-Irwin pact, can be described only as desperate. The five-year slump in agricultural prices had coincided with increases in rents and taxes. In order to exist at all the peasant was forced to borrow until his very life and the lives of his wife and children were mortgaged to the moneylender, who as often as not is identical in the rural areas with the landlord. The same slump in prices forced the government to increase the taxes and the landlord to increase the rent; in each case the burden fell on the already overladen shoulders of the peasant.

Inability to pay rents and taxes and the moneylender's exorbitant interest compelled the peasant to dispose of his savings. The Indian peasant has never banked his savings but keeps them on the person of his womenfolk in the form of anklets, bangles and chains, which are of either gold or silver, and are handed down and added to from generation to generation. It is estimated that most of the vast quantity of gold exported from India to Great Britain during the "gold rush" of 1931-32 was derived from the expropriation of the savings of the peasantry. The peasant, deprived of his savings at the same time that his land and labor were not producing enough to pay his rent and dues, was faced with starvation. The ominous clouds of a peasant revolt gathered on the political horizon.

The storm broke while Gandhi was in London negotiating concessions for Indian capitalism. The ruined peasantry of the United Provinces in North India organized and refused to pay rents and taxes. The Congress leaders of the United Provinces, for the most part landlords, were completely ignored, while the government and the Indian middle class were seriously alarmed. The peasantry of the United Provinces had set an example for the whole of rural India, and if the movement spread it might well develop into a class war which could conceivably destroy not only imperialism, but also Indian capitalism and landlordism. It was necessary to nip the movement in the bud, and to lead it into less dangerous channels.

Gandhi hurried back from London, and the Congress leaders met in secret conclave and proclaimed the resumption of the civil disobedience movement. This time they made no attempt to organize the people behind any program, but, led by Gandhi, took refuge in the jails. While thus maintaining their prestige as political martyrs, they gave the government a clear field for repression. By a combination of police terrorism and temporary reduction and remission of taxes in the badly affected areas, the government finally succeeded in driving the movement underground.

No sooner had this been achieved than Gandhi again came to life by declaring the first of the series of his dramatic and extraordinary "fasts unto death." This first fast was a protest against the proposal of the government to provide separate electorates for the Untouchables—a large community of outcasts without rights in Hindu law. Before the end of the fast, however, he had succeeded in

changing its purpose into one of uplifting the Untouchables, and securing for them the right to pray in Hindu temples. Here was a way out.

Under cover of the sentimental hysteria raised by his fast, he had cleverly sidetracked a dangerous mass movement into the harmless channel of religious reform; he had destroyed the whole for the fraction exactly in the same way as he had in 1922. He did not, however, attain his purpose at once; he found it necessary to declare another "fast unto death" on behalf of the perplexed Untouchables before he was able at the Poona conference of the Congress leaders finally to secure the withdrawal of the civil disobedience movement. A surrender, however, must not be made to appear a surrender. To cover up his tracks Gandhi announced that he and a few chosen followers would enhance nationalist prestige by publicly defying the law. But before he could actually do so he was arrested by a benevolent government and sentenced to one year's imprisonment.

Gandhi had not been in prison more than a fortnight before he declared his third "fast unto death" in order to secure his release—a release that was essential to the successful launching of his anti-Untouchability campaign. Once released, he announced that he proposed to serve his sentence of one year outside the jail, and that while doing so he could not honorably offer any further disobedience to the laws. He would, therefore, confine his activities to popularizing his campaign for religious and social reform.

In this campaign he met with much opposition, not only from orthodox Hinduism, but from an increasing number of people, hitherto his devoted followers, who felt that his activity was a betrayal of the people's movement for national independence. But he has continued on his way undaunted by opposition. With amazing simplicity he has even made use of the 1934 earthquake in the hope that its effect on the superstitious would distract the minds of his countrymen from dangerous thoughts of mass action to the peaceful and harmless pursuit of religious reform. In the meantime, Indian capitalism has taken advantage of the lull to make its peace with the government.

The life of Gandhi is contemporary Indian history. He reflects the aspirations of the Indian middle class, torn between its desire for industrial expansion and its fear of the pauperized millions who are kept from open rebellion only by the firm and experienced administration of British imperialism. In the present period of India's historical evolution Gandhi has no choice but to fill the rôle assigned to him. He is a creature of historical circumstances, and it is therefore irrelevant either to blame or to praise him.

Gandhi as a saint is of no importance, but Gandhi as a political force is one of the great figures of contemporary history and as such cannot be ignored. The private personality of Gandhi is no doubt interesting, his eccentricities are amusing and his asceticism is worthy of admiration. But the student of politics and history must necessarily probe deeper, and his estimation of Gandhi's character depends not on the attributes of a saintly way of life but on the results of his political actions. And for a saint it must be confessed that Gandhi shows a remarkable aptitude for political finesse.

French Business Fights for Normalcy

By Norton Webb*

France faces a serious and dramatic breakdown of the economic system built around the Treaty of Versailles. The treaty gave the French an overwhelming advantage over the German industrialists, their oldest and greatest rivals for European trade. Not only did its provisions drastically restrict German trade; French business was also given an unusual opportunity to expand and on its own terms. During the post-war period French industry took great forward strides, intrenching and extending its influence on all sides. Today it is another story. This privileged position is being shaken, and French industrialists find themselves wrestling with two great problems—recovery from the depression, which crept over France later than over the rest of the world, and retention of the economic advantages bestowed on her by the Treaty of Versailles.

The first shock to the enviable post-war position of the French came on Sept. 20, 1931, when Great Britain abandoned the gold standard. A shiver of apprehension for the franc ran through France. Soon it became obvious that industrial activity was declining, and by 1932 the world-wide depression was beginning gradually to paralyze French economic life. No longer could Frenchmen imagine themselves immune to the malady that afflicted other countries. Then came another shock. The dollar was devalued.

French industrialists awoke by 1933 to the crying necessity for a vigorous defense of their interests and the stoppage of losses which day by day grew more menacing. Relief through governmental aid seemed almost an impossibility, since the successive Cabinets represented the parties of the Left, which are always violently hostile to French big business. A policy of watchful waiting, accordingly, was adopted. Meanwhile, the American experiment under President Roosevelt was closely followed, though with a good deal of skepticism as to its outcome. Great Britain's efforts to rationalize production were also studied, nor did French business ignore what was going on in Soviet Russia and Fascist Italy. But to Frenchmen none of these experiments seemed appropriate to the peculiar logic and individualism of France.

The French have steadily opposed drastic reform or modernization. Their orthodoxy leads them to conclude that present systems and methods of manufacturing, trade and finance are more sound than those experiments abroad, the success of which has yet to be proved. There is nothing wrong, it is contended, with the old-fashioned economic machinery, nothing to be gained by applying Marxian or Fascist theories which have only made the confusion worse and retarded recovery. Restoration of the economic system to its former efficiency, not reform or modernization,

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is today the aim of France's industries.

French industrialists may be the most conservative and nationalistic of the Western World, but their orthodoxy is a source of strength in this period of peril. Nationalism at least has welded French business into the powerful Confederation of French Production, which is almost a super-national cartel. Its strength and importance can be gauged by its officers: President, R. P. Duchemin, former head of the great chemical trust; vice presidents, J. A. Déchaud, president of the Textile Institute; E. Fougère, president of the National Association for Economic Expansion; R. Lehideux, president of the Paris bankers' association; H. de Peyerimhoff, president of the central committee of French coal interests; F. de Wendel, president of the famous Comité des Forges; treasurer, Baron Petiet, president of the Association of Automobile Makers; secretaries, H. Defert, president of the National Wine Syndicate, and M. Barrier, president of the National Chamber of Hotels.

All the leading industries of France—machinery, metallurgy, textiles and chemicals—are represented in the Confederation. Here come together the armament and steel magnates, the coal kings who battle those of Germany for the Saar and other holdings, the great textile manufacturers of Northern France and the heads of the chemical industries in which more than 12,000,000,000 francs has been invested.

The method by which these Frenchmen propose to tackle their problems was exemplified early in 1934 by the meeting in Paris of the Confederation of French Production. Representatives from all important French industries gathered to consider methods for more efficient production. Greater cooperation, it was decided, should be developed among directors, executives and employes of all French enterprises. Eight committees were set up to study existing methods, results and similar data, and their reports were to be discussed and sifted for ideas and practices that might lead to greater efficiency. Nearly all these committees are now at work. One, for example, groups the heads of statistical services of French firms; another, the cost engineers; another, company secretaries. Each committee has a definite plan of action and, it is claimed, satisfactory results have already been obtained, from both a psychological and a technical point of view.

Another forward step was taken when the National Economic Council, which hitherto had been relatively unimportant, was given definite influence and real prestige. Though an advisory board of the government, it had been composed only of representatives of some of the big capitalistic interests and of labor; now spokesmen for agriculture are included. At the annual meeting of the presidents of the French Chambers of Agriculture in Paris in October, 1934, it was voted almost unanimously to join the National Economic Council, provided agriculture was given the prominent place to which it is entitled. The Chambers of Agriculture, it should be noted, favor a new French agricultural policy, for in their opinion the present laws are useless and unenforceable.

The French industrialists had been unable until 1934 to obtain any genuine cooperation from the Left governments, but the advent of the Doumergue Cabinet on Feb. 8, 1934, changed things overnight. Business confidence began to revive, since the new Cabinet included outstanding conservatives and nationalists such as André Tardieu, Pierre-Etienne Flandin and the late Louis Barthou, whose

political fortunes were known to be linked with French industry.

These leaders could be counted upon not only to prevent radical legislation but to sponsor an economic program that would harmonize with the aspirations of big business. The Tardieu group—a violent foe of all Leftists—is considered the mouthpiece in the Chamber of Deputies of the small group of capitalists in whose hands are concentrated the larger part of French industry and finance and such influential daily newspapers as *Le Temps, Le Journal des Débats, La Liberté* and *La Journée Industrielle.* Paul Reynaud, a Deputy and important member of the Tardieu group, probably struck the keynote for big business when he said at the time the Doumergue Ministry was formed: "If we wish to retain liberty and popular representation, we must revert to the social system in which the workers are at the service of private enterprise. The multiplication of our present ambiguities will lead to a dictatorship." In other words, he warned the people that if they did not accept conservative rule, they would bring on something to which they have been consistently opposed—an absolute, personal dictatorship.

While the Doumergue government did relieve business somewhat by simplifying the system of taxation, by converting part of the public debt and by reducing governmental expenses, the "truce Cabinet" as a whole did not live up to expectations. Whether a government headed by Flandin or any one else can cope with the social unrest due to French economic distress is something that lies beyond prediction.

The Democratic Alliance, led in the Chamber by the present Premier, Pierre-Etienne Flandin, is in consonance with the policies of the Tardieu group; it, too, speaks for French business interests. M. Flandin succinctly set forth his ideas in an interview with the great daily *Excelsior* shortly before he became Premier. "The fate of our régime," he insisted, "is at stake. Both capital and labor are in a deplorable state, and democracy, as it is in France today, has outrun itself, thus denying the very principles of liberty it stands for. We do not want a dictatorship, and a reform of the State is the only way to avert it. The State must abandon all functions it cannot fulfill and the authority of men at the helm must be restored by a series of changes to this effect." M. Flandin's pronouncements since he became Premier show that his ideas have not changed.

Apparently the Tardieu and Flandin schools seek to diminish rather than enlarge the control of the State over business. These men are violently opposed to socialization of private enterprise and probably would like to return to private control the State-owned railways, the telephones and telegraphs, the match and tobacco monopolies, and the national credit institutions. The Doumergue régime, since it appeared to hold the same views and to offer greater security to French capital, had the support of the Confederation of French Production. In particular, M. Doumergue's defense of the franc appealed strongly to French business, which is committed to the gold standard.

French business leaders declare that the methods of the Anglo-Saxons, as they call the British and Americans, are wholly incomprehensible. The way out of the economic and financial morass, to their way of thinking, is not to be found by applying a mixture of capitalistic and socialistic theories, nor by playing football with currencies. Frenchmen see here no middle

ground. It is extraordinary, said one of their representatives recently, how the Anglo-Saxons cannot understand that only through a free flow of gold can improvement of the world situation come and that only if gold circulates rapidly will there be a rise in basic prices. The Anglo-Saxons do not realize, continued this critic, that every measure for the restoration of economic activity depends upon the world's currencies, that all efforts are in vain unless the monetary problem is solved.

These are the familiar arguments of the gold bloc, which was formed on July 8, 1933. It had been hoped originally to set up an economic union of the gold-standard countries which could hold its own indefinitely until Great Britain and the United States were ready to talk business. Political rapprochements to correspond with the alignment of the bold bloc countries were also anticipated; for instance, a Franco-Italian entente. But Belgium, the Netherlands and Switzerland have lost interest in the gold bloc, thus forcing the French to recognize that the bloc is not too effective and that it can obtain no real commercial advantages.

The gold bloc policy has in no way improved the balance of French foreign trade. Nor did the Brussels conference last October give rise to any great hopes. Though the French system of import quotas has succeeded in reducing the trade deficit, it has at the same time sent the volume of foreign trade to an alarmingly low level. The semi-official *Temps* states that figures for the first three quarters of 1934 showed a further drop of 4,374,000,000 francs. Moreover, the continuing disparity between French and world prices raises a formidable barrier to the expansion of French foreign commerce outside the gold bloc.

Nevertheless, Finance Minister Germain-Martin persistently holds to his belief that prices in countries off the gold standard are rising to meet those of the gold bloc. His position finds some support in recent statistics issued by the economic section of the League of Nations. These figures show increases in the non-gold nations and decreases in every member of the gold bloc.

French domestic prices reveal a wide gulf between a low wholesale level and a high retail level. Government attempts to remedy the situation have so far been limited only to watching and controlling the price levels; there has been no suggestion of a real change. Such was the gist of a preliminary report by Edouard Herriot and André Tardieu, who were appointed by Premier Doumergue to study the problem. Undoubtedly no radical change in the price level is desired at the present time because of the social consequences that might ensue. But to meet this disparity in prices and also to keep step with the government's deflation policy, a good many French industrialists have adopted a mild and conventional rationalization. Some have reduced salaries; the 15 per cent cut in the cotton industry, now operating at about 76 per cent of normal activity, is typical.

The recovery measures supported by French industry can be summed up roughly as follows: (1) A reorganization of production along orthodox lines; (2) a domestic economic and financial program undertaken by the government, including the 10,000,000,000 francs for public works already voted by Parliament; (3) increase of foreign trade by diplomacy and treaties; (4) maintenance of the gold bloc and its policies.

Yet so far this program has amounted to little. A general survey

of French industry provides few grounds for optimism. The latest charts and analyses published in the *Conjoncture Economique,* a reliable publication on file at the French Ministry of Commerce, show that in major industries such as machinery, metallurgy, building, textiles, leather, automobiles, rubber and the extractive industries, such as coal and pig iron, production is virtually stagnant. A leading British authority recently stated that there was every reason why pessimism should prevail in French economic circles. As he showed, unemployment is above that of a year ago; the last available figures put it 46 per cent higher. Industrial production is still declining. Bankruptcies are increasing. The index of stock quotations shows a downward trend. The gold index continues to fall. Transportation is in a bad state, and the railroad deficits continue. French farmers have been badly hit. Wheat has declined steadily in spite of government price fixing.

French men and women from one end of the country to the other are discontented and resentful. Scandals, riots and violent collisions between the Left and the Right have intensified this feeling. The small business men and shopkeepers are particularly bitter against the existing laws that deprive them of their businesses when they cannot meet obligations undertaken in more prosperous times. Indignant mass-meetings have been held and resolutions adopted in favor of a more liberal interpretation of the laws.

That distinguished and keen analyst of French life, André Siegfried, aptly records that politically a Frenchman's heart is to the Left, but that when it comes to the pocketbook it is distinctly to the Right. In the present state of both politics and finance the struggle in a Frenchman's breast must be hard indeed. His proverbial thrift is being questioned. Nearly every day the issues of capitalism and anti-capitalism are aggressively and flaringly debated in his newspapers. But he does not want debate or reassurances from the government of the mere promise of a stable franc; he wants action and concrete accomplishments that will quickly lead him out of the political and economic depression.

Despite the unfavorable picture presented by France today, the economic outlook is by no means hopeless. That French industrialists will ever be able to return to the advantageous position they held in the post-war years is highly improbable, for world readjustments now in progress will not permit it. As the chance of any one nation's maintaining commercial supremacy or driving ahead with an imperialistic trade policy is steadily diminishing, the French will ultimately have to make concessions that will lead to a more equitable distribution of the opportunities for trade in Europe and the rest of the world.

Meanwhile, it should be remembered, France is fundamentally a wealthy nation. She entered the depression later than other countries, and may be the last to emerge. The French banking system, as has been pointed out time and again by qualified authorities, is in a sound, liquid position. Indeed, the Bank of France is the envy of Europe. When the upturn comes, there is no reason why the French should not regain their normal position in the economic world and enjoy their share of trade and commerce.

Where the Dutch Fear Japan

By AMRY VANDENBOSCH*

A VAST colonial empire in the Malay Archipelago has made the Netherlands as much an Asiatic as a European power, but with ever increasing anxieties and fears caused by the rise of that still greater Asiatic power, Japan. What shall the Dutch do to hold their East Indian possessions, since their military protection is so insignificant in contrast with their wealth? That is the question to which the Dutch are today seeking an answer as they watch Japanese expansion in the Far East.

Even before the World War they were disturbed by the Japanese, and again during the war there were persistent rumors that Japan contemplated seizing the Dutch East Indies. Later it was believed that in exchange for Japanese aid in Siberia, the United States had approved Japanese annexation of those colonies. The end of the war, however, relieved the tension, while in the newly created League of Nations the Netherlands saw an agency for the maintenance of peace and the preservation of the status quo.

Nevertheless, there was no peace of mind for the Dutch. The United States failed to join the League of Nations; relations between the United States and Japan were strained, and an armament race between Great Britain, Japan and the United States was in progress. The League, moreover, could never maintain the status quo in the Pacific without American aid. In case of war, would the Japanese attempt to seize the Borneo oil centres? The Dutch feared they would.

The Netherlands played an inconspicuous rôle at the Washington conference of 1921 and was not asked to sign the Four-Power treaty. Yet the Dutch East Indies are among the most important islands of the Pacific Ocean. As a result, the government of the Netherlands, while welcoming the treaty, did not let matters rest there. The signatories—Great Britain, France, Japan and the United States—were quietly asked if the territorial guarantees of the treaties might not be extended to the Dutch East Indies. Each of the powers promised in an identic reply "that it is firmly resolved to respect the rights of the Netherlands in relation to their insular possessions in the region of the Pacific Ocean."

Yet to the Netherlands the results of the Washington conference were not wholly happy. Since neither Great Britain nor the United States was to increase the strength of its fortifications in the Western Pacific, at a time when the 5:5:3 ratio practically removed the offensive threat of the three great naval powers against each other, the Japanese fleet became supreme in Asiatic waters. War in the Pacific between the great powers was now less likely, but Dutch security against Japanese aggression had diminished.

If war should break out between the naval powers of the Pacific, the troubles of the Dutch in the East In-

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dies would multiply. If the hostile fleets should be unable to fight a decisive battle when far from their bases, they would most probably concentrate on driving enemy commerce from the seas. Hence, the East Indian Archipelago would be involved, because the convergence of ocean traffic at the Straits of Malacca and the Straits of Sunda, and the large number of protected bays and sheltered spots in the East Indies would make these waters a centre of commerce raiding. The East Indies, moreover, would inevitably be an important source of supplies, particularly of oil. Even in time of peace Japan imports more than half her oil from the East Indies.

Recent events in Manchuria and Japanese commercial penetration of the East Indies have again aroused Dutch fears. When the League of Nations failed to halt the Japanese in Manchuria, and Japan then withdrew from Geneva, Dutch confidence in the League weakened. Hard upon these events came the American decision to grant Philippine independence, and still another barrier to Japanese expansion southward was in danger of being removed.

Japanese commercial penetration of the East Indies has now become a devastating reality, driving many Dutch commodities from the East Indian market. The Dutch share of East Indian imports declined from 33.2 per cent in 1913 to 17.8 per cent in 1926, while the Japanese share increased from 1.6 to 9.6 per cent.

As early as 1926 and 1927 certain classes of Japanese goods, notably earthenware, porcelain and glassware, had driven out Dutch goods. The East Indies in 1913 imported 54 per cent of its plates from the Netherlands and only 2 per cent from Japan; in 1926 the figures were almost reversed—15 per cent from the Netherlands and 51 per cent from Japan. In 1913, 53 per cent of the cups and saucers were imported from the Netherlands and none from Japan; in 1926 only 1 per cent came from the Netherlands, while 93 per cent came from Japan. The figures for glassware and fine earthenware are much the same.

The Dutch textile industry has suffered severely from the Japanese invasion of the East Indian market and is clamoring for governmental action to save it from ruin. In 1933 Dutch exports of textiles to the East Indies dropped to only one-fourth the tonnage of 1931 and the total value declined still more. In response to the insistent demands of the Dutch textile manufacturers, the East Indian Government has placed imports of cotton goods under quotas, as it has in the case of earthenware. Recently the Dutch Government sent a commission of textile experts to the East Indies to examine the possibility of establishing textile factories there to compete with Japanese imports. While this would not save the Dutch textile industry, it might save some of the capital invested in it.

Japanese competition threatens not only the Dutch producers but also the distributing system controlled by Dutch and Chinese. For centuries the Chinese have served as the intermediaries between the Dutch and the Indonesians. The Japanese, however, are beginning to set up their own distributing agencies; they have opened a large department store in Surabaya and are establishing local agencies in the villages. Finally, Dutch shipping interests have been adversely affected by the transportation of Japanese goods to the East Indies in Japanese ships.

Abandonment by the Dutch of their open door policy has consequently come to the fore. Dr. H. Colyn, Pre-

mier and Minister of Colonies, at first resisted the demands for preferential treatment, pointing out that tariff discrimination might antagonize the great powers and endanger Dutch control of the Archipelago. Dr. Colyn was no doubt also influenced by the fact that the open door policy has attracted large sums of Dutch and foreign capital to the East Indies. This capital, for the most part invested in agricultural enterprises, is best served by the open door policy. But the interests of Dutch investors do not parallel those of Dutch manufacturers. As the Netherlands cannot import large quantities of the East Indian agricultural products, such as rubber, sugar and tea, these commodities find markets in other lands. Restrictions upon imports from other countries tend to restrict exports to those countries.

The quota system caused so much resentment in Japan that in an attempt to solve the conflict of interests a conference met at Batavia, the capital of the Dutch East Indies. It was soon deadlocked.

The Dutch regard the Japanese invasion of the East Indies as being a political as well as an economic problem. Leading Dutch newspapers state that the Japanese are spreading among the Indonesians the idea that they are being sacrificed to the selfish interests of the Dutch, since the East Indian Government is compelling them to buy Dutch goods instead of the cheaper Japanese goods.

Some Dutch leaders in the East Indies fear that the Indonesians are turning to Japan. From the floor of [illegible] Legislature a Dutch [illegible]er of the extreme [illegible]used the Indonesian [illegible]ers of flirting with [illegible] Nor is this a ground[illegible]use of the decline in revenues the Dutch East Indian Government has reduced appropriations for education, curtailing instruction in the higher grades with its Western standards rather than in the native lower schools. As a result young Indonesians have gone to Japan to study and a Japanese organization has been formed to further the movement. Only recently a company of Indonesian journalists visited Japan and were well received.

Why are Indonesians attracted to Japan? The nationalists may have only political ends in view, but whatever may be behind this orientation, certain sections of the Dutch press are alarmed. The editor of *De Indische Gids* has asked if all these facts do not point to a broad and well-conceived policy aimed at the removal of white influence from Asia. Japan, he concludes, probably does not look upon the East Indies as suitable for colonization, since the climate is unsuited to most Japanese, but it may be seeking an independent East Indies which would accept Japanese political and economic leadership.

Fear that Japan seeks expansion in one of the East Indian islands, notably the Dutch part of New Guinea, is also prevalent. It is reported that the Japanese Government recently approached The Hague with a proposal to colonize Dutch New Guinea with Japanese farmers. There may be a close relationship between this reported scheme and the recent organization of a New Guinea Committee, with Dr. D. Fock, former Minister of Colonies and former Governor General of the East Indies, as chairman. The purpose of the committee is to promote the exploration, exploitation and colonization of Dutch New Guinea.

But the Dutch apparently have little reason to worry about Japanese emigration to the East Indies. If the Jap-

anese Government has encouraged colonization the results have been very meager. According to the 1930 census reports, only 7,195 Japanese resided in the whole East Indies, compared with 1,233,856 Chinese, 208,269 Netherlanders (including Indo-Europeans), 6,867 Germans and 2,418 Britishers. The Japanese were chiefly engaged in commerce, fishing, journalism and photography.

Stories in the Dutch press reflect the growing tension. For example, a leading daily, the *Nieuwe Rotterdamsche Courant,* reported that a Japanese warship recently called at Menado, a port in Northeastern Celebes. While the ship's officers and sailors were sightseeing, a sailor entered a school house, stepped up to the blackboard and drew a map of Japan, China, the Philippine Islands and the Dutch East Indies. Around the whole he drew a circle and wrote within it "Greater Japan." Whether the story is true is not half so important as the fact that it appeared in the Dutch press.

The Dutch East Indian Government has been careful not to offend Japanese feelings. For many years it maintained a bureau each for Chinese and for Japanese affairs which served in an advisory capacity to various branches of the government. When forced to reduce expenditures in 1931, the government proposed to consolidate the bureaus, a step which would have meant abolishing the Bureau of Japanese Affairs. Though the government did continue both bureaus for a year or two, the need for economy eventually brought consolidation.

For the Netherlands defense of the East Indies is a major problem of statecraft. Dutch resources are far too limited when called upon to defend a dependency, thousands of miles from the home territory, vast in extent and of great strategic importance. Moreover, because of the rising nationalist movement among the natives of the East Indies, the government dares not require military service from the Indonesians. At present compulsory military service affects only Netherlanders.

Appropriations for defense have been drastically cut since 1929, for the present Netherlands Ministry is determined to balance the budget. In 1929 the defense budget totaled 103,608,000 florins; for 1933 it was 88,720,145 florins. The East Indian military budget has been slashed even more. Some months ago a committee, with former Governor General Idenburg as chairman, was appointed to study reorganization of the defense forces in the interest of further economies. The committee recommended measures which would save 15,000,000 florins in the East Indian budget and 12,000,000 florins in Holland's.

These reductions so alarmed investors in the East Indies and the Dutch population living there that they formed a committee to raise funds by voluntary contributions for another cruiser to add to the little East Indian navy. Probably it was this popular pressure that led the Dutch Government to announce at the opening of Parliament in September that it planned to strengthen the Dutch and East Indian navy by the construction of new ships. The Dutch Minister of Defense sought to reassure Dutch public opinion that the enlarged East Indian fleet, though admittedly small, would be adequate to protect the East Indies against possible Japanese attacks. He argued that though the Japanese fleet had ten times the strength of the East Indian navy, Japan would be unable to send more than a tenth of its fleet to attack the East Indies.

The Netherlands, determined to

keep out of war, has always been careful to avoid alliances of all sorts. Though the Dutch are aware that they cannot defend the East Indies against direct attack by a major power, they fear still more a violation of East Indian neutrality in a war between the great powers. East Indian defense, therefore, aims only at maintaining this neutrality.

There have been rumors of a British-Dutch understanding. The Singapore naval base so near the heart of the East Indies, and the interlocking British-Dutch oil interests make the suggestion a natural one. Moreover, the present Governor General, Jonkheer de Jonge, had, at the time of his appointment, just retired from over a decade of service in London as one of the officials of the Royal Dutch Shell. Officially the existence of such an understanding has steadily been denied.

But do not recent events point to a departure from the traditional Dutch policy of avoiding alliances? In January, 1934, a number of British naval and military authorities met on board the flagship of Admiral Sir Frederic Dreyer in the harbor of Singapore. The meeting was ostensibly a resumption of the conferences which were held annually for a time after 1921, but which more recently had been discontinued. On this occasion agreement was sought on various matters of common interest touching the naval and air forces of India, Australia and New Zealand. Singapore, as the key to Western entrance to the Pacific, naturally received special consideration. Control of the Straits of Malacca by the British would lead other powers in time of war to turn to the next most important routes between the Pacific and Indian Oceans. These routes run through the Dutch East Indies and therefore cannot be ignored in the strategy of a war in the Pacific, especially one in which Great Britain might be involved.

Probably this is the reason why Lord Allenby's visit to Java on the eve of the conference caused great comment in the press of other countries. The police had been informed that attempts were to be made on his life. Stories emanating from Moscow and Tokyo declared that Lord Allenby's visit constituted the preliminaries of British-Dutch military cooperation in the Far East.

Lord Allenby's visit was followed by other events which to some interpreters were highly significant. Shortly after the Singapore conference Admiral Sir Frederic Dreyer and the French Vice Admiral Berthelot, each on board his flagship, entered the harbor of Tandjong Priok, the port of Batavia, simultaneously with a Dutch warship. In Batavia the two admirals were received by the Governor General. Not long afterward the Dutch East Indian fleet anchored in the harbor of Singapore for a demonstration.

The Dutch have been puzzled by these events. Has the Netherlands abandoned neutrality as the basis of her East Indian defense policy? Jonkheer de Graeff, the present Minister of Foreign Affairs and a former Governor General of the East Indies, has been regarded as sympathetic to the formation of a "white front" in the Far East. Has the Netherlands already taken sides in anticipation of the often predicted war of the Pacific? Has the Netherlands granted Great Britain, in case of war in Europe, certain "defensive" rights, such as the establishment of air bases in Dutch territory, in exchange for the promise of British aid against Japan? If so, Dutch foreign policy has undergone an extraordinary revolution.

Portugal's Teacher-Dictator

By RICHARD LEWINSOHN*

Of all modern dictators, Antonio de Oliveira Salazar, ruler of Portugal, is least the dictator type. There are ample grounds of comparison, for at present Europe has nominally seven, but actually thirteen, dictatorial régimes. One is proletarian; another a feudal regency; another that of a single man who, by coup d'état, seized control; while still another obtained power by constitutional means and then cast aside all semblance of democracy. There are also varying degrees of military dictatorship. Salazar differs from the leaders of these in method, achievement and general attitude.

Unlike other modern dictators, Salazar has foregone all theatrics. He has neither assumed historical trappings nor designed new uniforms. He does not hold parades or deliver grandiloquent speeches before the multitude every week. Although for years undisputed dictator, he has remained a civilian in the strictest sense of the word. One hardly sees or hears him. That he signs even official documents with the title "Professor of Finance in the Law Faculty of Coimbra University" is no empty gesture. Not "leader" of his nation in the Hitlerian sense, Salazar is recognized as "teacher." As "teacher" he derives his moral authority and political position.

It is quite true that Salazar himself did not have to establish his power. When he appeared on the scene, ruder forces had already seized control and put an end to a parliamentary-democratic rule. He found his bed already made and even well protected—a preliminary essential to his political success. Men like Salazar are not usurpers. But it is surprising that this delicate rather than robust man has established himself among aggressive military men and in unfamiliar surroundings. It is even more surprising that he could in a comparatively short time transform a typical military dictatorship into a civilian dictatorship stamped distinctly with his own personality. His is an accomplishment unique in post-war Europe.

For its stability alone the new régime commands respect. Applied to another country such a statement might be regarded as rash. But in the case of Portugal it is significant that for six years the same man has uninterruptedly and with increasing authority been guiding the country's finances and that more than two years ago he was formally appointed Prime Minister. Replacing in 1911 a monarchy ruined by murder and mismanagement, the Portuguese Republic had in the sixteen years of its parliamentary existence six Presidents, forty Prime Ministers and well over 200 Cabinet Ministers. For a country of from 6,000,000 to 7,000,000 people this was a terrible waste of human material and mental energy. Upon this unstable basis a group of high-ranking army officers in May, 1926, seized political power and control.

A military dictatorship in Portugal surprised neither the country nor the

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world at large. In neighboring Spain a few years earlier a similar coup had placed General Primo de Rivera in control. The Portuguese Army, moreover, had always played an important political rôle; conspiring and wire-pulling Generals were part of the very being of the State. Many Cabinet crises, even under the parliamentary régime, were brought about by the military, and almost every year saw an attempted coup d'état. The mere fact that one such stroke had now succeeded did not seem to be an event of any particular historic importance.

As a matter of fact the victorious generals in 1926 at first did nothing to distinguish themselves. After the shock of the actual upheaval had passed and they had to turn their attention toward governing the country, they looked to Coimbra, the leading university of Portugal, to find the inevitable civilian members of their new Cabinet. The most precarious of all Cabinet posts, the portfolio of finance, was offered to a certain Professor Antonio de Oliveira Salazar. He was 37 years of age, without any particular standing, and though he was respected in his own field, his name was barely known to the public or even to professional politicians.

Born in 1889 in Santa Comba, a pretty little village near Coimbra, Salazar was the son of modest peasants, who destined him, as was customary in the case of the talented and ambitious sons of peasants in Southern Europe, for the priesthood. But the monarchy was overthrown, and the secular democratic republic immediately banished the clerical orders and decreed a strict separation of Church and State. Even though the religious feeling of young Salazar remained untouched by these events, they had a decisive influence upon his career. He turned to the study of law.

His intellectual inclinations soon led him to economics, which in the Portuguese universities, modeled after the Sorbonne, is only a special subject in the law faculty. A thesis dealing with the evolution of Portuguese currency established his reputation, and in 1916, when he was only 27, he was made professor at Coimbra University.

At the same time, Salazar was also active in politics. His theological interests drew him into Catholic circles, and he became one of the founders of the Catholic Centre, an organization intended to strengthen the church in public life. He wrote for *Novidades,* a Catholic newspaper, and was for a short time an inconspicuous member of Parliament.

Salazar's political and Catholic background was certainly not the reason for his original selection for the Cabinet, as has been asserted. Both military and clerical circles supported the new parliamentary democracy, but they were hardly enthusiastic about it. The thoughtful and cautious Salazar, moreover, hesitated to ally himself with the recently installed revolutionary government. On the grounds of illness, he declined the proffered portfolio with thanks and departed for the parental farm at Santa Comba. Only after he had been sought out in his hiding place did he yield and return to Lisbon as Secretary of the Treasury.

Salazar soon discovered that he was not at all in his element. Within five days the administration was racked by internal conflicts, with the military leaders prevailing. Those university professors who had joined the new government were ousted and returned resignedly to Coimbra. The second episode of Salazar's political career, his unwilling share in the military dictatorship, ended quite as unsuc-

cessfully as had his first, his brief appearance in the Chamber of Deputies.

Two quiet and uneventful years followed. The scholar devoted his time to a thorough study of modern taxation, embodying his findings in a carefully thought-out book. Direct criticism of the government was, of course, strictly forbidden, and in any case such tactics were foreign to Salazar's personality. But at bottom all his scholarly conclusions condemned the financial policy of the régime. A classicist in economics, he taught and wrote in favor of balanced budgets and expenditure according to income, while the military administrators of the Treasury in Lisbon merrily spent funds they did not have, let the deficit grow steadily and thus wrecked the currency and the credit of the nation at a time when almost all Europe was enjoying economic prosperity.

After two high army officers had unsuccessfully tried their hands at the Treasury, Lisbon appealed for aid to the League of Nations. Geneva promised an international loan if the Portuguese Government would grant the creditor powers ample guarantees and controlling rights and would consent to the eventual appointment of a foreign Controller. These conditions the military dictatorship could not accept without compromising itself at home. The Portuguese representative rose before the League Assembly to declare proudly: "Portugal will not sell itself for 6,000,000 pounds sterling."

But patriotic words could not solve the actual problem. The national Treasury remained empty, the deficit grew, and the exchange rate for Portuguese currency fell from day to day. Finally, in this extreme emergency, the Professor of Finance at Coimbra was remembered and invited to the capital. Salazar came. Recalling previous experiences, he insisted upon certain conditions before accepting the proffered Cabinet post. All Ministers would have to agree to keep within assigned limits of expenditure. The Treasury would have the absolute right to veto any and all additional expenditures, whether they fell within the ordinary or the extraordinary budget, and any form of credit operation. In short, Salazar demanded financial dictatorship.

The generals were no doubt somewhat surprised when they learned the conditions on which the civilian from Coimbra insisted. But they were in a thoroughly hopeless situation. Besides, they expected to maintain their political power, and, if need be, could always dispose of a pretentious pedagogue. Thus it was that on April 28, 1928, Salazar moved for the second time into the Treasury. Soon there happened what hardly any one in the entire country had thought possible. The new Minister presented a budget which was not only in balance but provided even a small surplus. Expenditures were cut by 140,000,000 escudos; new taxes would raise revenue by nearly 200,000,000 escudos. (At par the escudo is worth nearly 7½ cents; its current value is a shade over 4½ cents.) For the university professor it must have been a painful duty to curtail funds for education, but he proved his courage by reducing military and naval expenditures. This in a Cabinet headed by a general!

If the mere publication of this budget caused surprise, there was even greater astonishment when at the end of the fiscal year Salazar announced that the surplus had actually exceeded 285,000,000 escudos. Since the end of the World War the Portuguese Treasury had invariably suffered an annual deficit of over 500,000,000 escudos, and the fact of an

actual surplus seemed like magic. The man who could perform such a miracle became the centre of suspicious interest. His every move was watched. But there was no magic other than a sound financial policy—sweeping economies, coupled with an excellent technique of taxation.

Salazar eventually so improved the financial system by raising indirect taxes and duties and making further economies in administration that it became possible to reduce direct taxes without endangering the budget. The budget surplus from 1928 to 1933 totaled over 700,000,000 escudos. This sum was used mainly to reduce the floating debt, which at the time of Salazar's appointment amounted to over 2,000,000,000 escudos and which has since practically disappeared, partly because of the repayments made and partly by consolidation.

The Portuguese currency naturally benefited from this internal housecleaning. The gold reserves of the bank of issue were tripled and the actual gold cover of the currency rose to over 40 per cent. For some time after the Summer of 1928 the exchange rate remained stable. Technically it would have been easy to keep it stable even during the depression years, but for commercial and political considerations Salazar preferred to follow the course set by London, and took the Portuguese currency off gold. Ever since 1931 the escudo has been closely tied to the pound sterling except for a brief interval during which the course of the American dollar was followed.

This attachment to Great Britain, which stands first in the Portuguese balance of trade in both exports and imports, has been on the whole advantageous. In this way exports, shipping in general and the port traffic of Lisbon—one of Portugal's most vital interests—were brought through the critical periods of the depression. If losses were not avoided altogether, at least the effects were not disastrous. Portugal today is undoubtedly one of the few European countries which have passed the lowest point of the crisis. The people are fully aware of this and rightfully bestow the credit upon Salazar's perspicacious and energetic financial policy.

The popularity and respect which Salazar gained as Secretary of the Treasury made him the logical choice as Prime Minister when General Freitas resigned in July, 1932. General Carmona, President of the Republic, himself a product of the military coup of 1926, used all his authority and influence with the army to make possible the change from a military to a civilian dictatorship.

Salazar retained his post at the Treasury even as Prime Minister. Though absolute financial dictatorship remained the nucleus of his policy, he had now an opportunity to apply his political principles. These, though strongly influenced by Fascist ideas, come from other sources. Salazar does not believe in an omnipotent, totalitarian State to which all individual interests must be subordinated. What he envisages is rather a natural order of society in which the State rests upon the fundamental social institutions—the family, the local community, professional and national organizations—rather than upon the artificial and temporary party groupings which dominate a parliamentary democracy.

In practice these political principles have not yet been completely worked out. With all the zeal and moral earnestness that distinguish him, Salazar is apparently still seeking a satisfactory solution. Indeed,

six months after he assumed the post of Prime Minister, he promulgated a comprehensive national Constitution, which was confirmed by plebiscite in March, 1933. But the essential points of this great document are as yet unrealized. Were they applied, Portugal would cease to be a dictatorship.

The new Constitution has rightfully been compared with that of the United States, from which Salazar adopted several basic ideas. But it is even more like those of the semi-parliamentary so-called constitutional monarchies, such as pre-war Germany. The only difference is that Portugal is declared a republic in which a President, elected for a seven-year term, exercises the functions of Chief Executive. The people elect not only the President but also a parliament, which convenes for three months at the beginning of each year.

Besides these long-tried mechanics of administration, the Constitution contains provisions which lie much closer to Salazar's ideals. Heads of families, be they men or women, are to be formed into communal and provincial councils, with far-reaching rights of self-administration. The representatives of these councils and of various professional associations together form a supreme "corporation chamber," to assist the Parliament as an advisory body.

Before this Constitution was put completely into effect Salazar turned his attention to economic matters and devised a complete system of corporations, which followed closely along Italian lines. A special Under-Secretary of Corporations has already organized over 150 professional unions of employers which in the future are to cooperate with the State in regulating production, prices and wages. A confirmed opponent of State socialism, Salazar apparently does not intend to go far in the reorganization of economic life.

All these plans, as already pointed out, are at this time only plans. Essential parts of Salazar's ideal State, particularly the part dealing with the Parliament, have not yet been translated into reality. Portugal has not been called to the ballot box, and the government still exercises both legislative and executive powers. Whether in the long run the democratic or the Fascist element will prevail cannot now be determined. All that can be safely said is that even if a Fascist dictatorship arises in Portugal, it will differ considerably from other Fascist systems. Salazar himself has pointed out one of the chief differences between the existing Italian and Portuguese dictatorial régimes.

Mussolini, a pupil of Georges Sorel, philosopher of violence, holds violence inevitable at certain historic moments. Salazar declines on principle to recognize violence as a political means. "Violence," he declares, "is not suited to our race and our customs. Those who use it usually weaken before their task is done, and themselves become victims of their misplaced zeal. Our past revolutions are witness to that."

Salazar has practiced as well as preached this doctrine. There were, to be sure, numerous reprisals against political enemies during the first years of his dictatorship. There were deportations and wholesale arrests. Unrestricted expression of opinion was long suppressed and even today is not fully permitted. Newspapers are under censorship. But the Salazar régime has abstained from excess and systematic repression. Life outside the purely political sphere is not impeded or regulated. Justice is absolutely assured. Salazar's Portugal can safely claim whatever glory there may be in having the mildest of existing dictatorships.

Nebraska Prunes Her Legislature

By LANE W. LANCASTER*

UNTIL last November one of the few American political institutions to escape the experimenters was the two-chambered State Legislature. But this immunity ended when the voters of Nebraska adopted at the Fall elections a constitutional amendment which provided that, beginning with 1937, the State legislative power shall be vested in a single house of not fewer than thirty nor more than fifty members.

When Nebraska became a State the makers of its Constitution accepted without question the two-house system which prevailed throughout the country. Until 1913 only occasionally did any one seriously question the wisdom of the bicameral Legislature that had always been a part of our traditional system of checks and balances.

In recent years Nebraska has had a House of 100 members and a Senate of 33 which have served jointly as a statute mill. Each body was chosen by all the voters; the members of both were elected for a two-year term and were paid the same salary. Except for the confirmation of appointments, the functions of the Senate duplicated those of the House, though the Senate was usually more conservative since its membership tended to be more stable and more experienced. Eccentric self-proclaimed tribunes of the people were less numerous in the Senate than in the House. As in other States a bill to become a law had to pass each house in precisely the same form; differences were settled by a conference committee which had practically plenary power over questions in dispute. About 1,000 bills on an average were introduced at each legislative session and of these about 350 reached the statute book, a large proportion during the closing days of the session. The bickering, back-scratching, log-rolling, horseplay and general blowing off of steam to which democratic assemblies are addicted existed in Nebraska as in other States.

Discussion of a unicameral Legislature was first heard in Nebraska in 1913 when a joint committee of the House and Senate reported in favor of a single-chamber body. But the report was forgotten until the Constitutional Convention of 1920, when a proposal for such a change was defeated by a vote of only 47 to 43. Afterward the idea was ventilated at various times, though nothing like a movement developed. Senator George W. Norris, however, had made the one-house Legislature a hobby. Almost to him alone is due the initiation and conduct of the recent State campaign for the new amendment.

Senator Norris was wise in choosing 1934 to test public sentiment. Not only was experimentation in the air, but a rather general feeling of indignation and disgust filled Nebraskans after the legislative session of 1933. The people's representatives that year had gone to the capital protesting loudly their intention to pass few

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laws, to talk little and to return home in time for the Spring plowing. They ended by passing nearly 200 acts, talking a great deal of childish nonsense, and holding one of the longest sessions on record. Unseemly wrangles were frequent; the Legislature fumbled with taxation and appropriations, liquor regulation and legislative reapportionment. Moreover, Governor Bryan's serious illness deprived an overwhelmingly Democratic membership of what might otherwise have been shrewd and prudent leadership. The effect on the public was unmistakable; many citizens felt that no future Legislature regardless of its form could possibly be worse.

The Norris amendment, as it is known in the State, provides that the 1935 Legislature shall divide the State into not fewer than thirty nor more than fifty districts, in each of which a member shall be elected on a nonpartisan ballot for a term of two years. The total appropriation for salaries shall not exceed $37,500 per year. Thus, if the new body should have fifty members, each would receive an annual salary of $750; if thirty, each would receive $1,250. By providing that salaries shall be paid annually it is hoped that since members will receive a monthly salary throughout their term they will feel a continuing responsibility.

The larger membership of fifty, it is generally expected, will be decided upon, for during the recent campaign there was little support, especially in the rural regions of the State, for the smaller number. Many of Senator Norris's advisers believed that a nonpartisan election would weaken the case for the proposed amendment when it came before the people, but actually this provision received slight consideration during the campaign. While politicians may have been hostile to the idea it was obviously hard for them to argue openly against it.

Supporters of the amendment had a telling argument in their contention that special interests would be able to exert less influence over a single, small body. In Nebraska very few people accept the notion that a lobby is a necessary or even salutary supplement to an imperfect representative system. Among those still devoted to Populist ideas stump speakers are always sure of applause when they attack the "interests" and charge them with corrupting the Legislature. A single house, by simplifying the lawmaking process and by compelling the members to record their votes without hope of having them revised by another body or modified in conference, may compel the "interests" to devise new techniques. That it will destroy their influence is probably expecting too much.

One of the points urged against the amendment was that farmers would be inadequately represented in a body so much smaller than the present Legislature. Only rich men, it was said, could afford to campaign over the larger electoral districts. Moreover, would not a single body fall more easily under Executive domination? Finally, the opposition contended, the greater importance of each member would lead to a flood of bills. A small body would tend to be more extravagant; lobbies would find the new Legislature easier to control; hasty and ill-digested legislation would result from such a concentration of power. Few of these arguments had much weight with the voters because Senator Norris and his supporters succeeded in creating in the minds of the electorate the picture of a small, businesslike body of experienced legislators, solely responsible for lawmaking and at work under public surveillance.

All the familiar devices of voting "yea" for "the record" in one house while manoeuvring for a reversal in the other, and of using the largely unfettered power of the conference committee to mold legislation in dispute between the houses, were skillfully explained to audiences only too ready to believe the worst of the "interests" which are popularly supposed to benefit by a complicated system. Ultimately the contest was between those who favored the new system as more simple and responsible and those who opposed it as an unwise departure from conservative principles. The public voted for simplicity and responsibility.

As in nearly all American elections, various factors were present which were unrelated to the merits of the issue. Thousands of conservative voters, for example, never examined the evidence but voted "No" because they disliked Senator Norris and all he stands for. Others voted "Yes" because of their faith in him. The issue was further complicated by the presence on the ballot of two other popularly initiated measures—repeal of the State prohibition amendment and the legalizing of pari-mutuel betting. It was widely rumored that the friends of repeal and pari-mutuel betting, to make sure that their followers would answer those questions in the affirmative, passed the word down the line to vote "Yes" in every case. Opponents of the amendment spoke sentimentally of the "wisdom of the fathers," and warned the people not to discard too quickly what time had tested. The followers of Senator Norris retorted with comparisons between the ox-cart age and the era of the airplane, and pointed to the successful experience of the Canadian Provinces with single-chamber assemblies.

Experience with a one-house Legislature is unlikely to bear out the most confident predictions of either side in the recent Nebraska controversy. Such devices as the direct primary, municipal home rule, direct election of Senators and the initiative and referendum have been on the whole less radical than conservatives feared and less effective than progressives hoped. In the heat of debate men are deluded into believing that what they urge is "fundamental"; when their "reform" is a reality they find that it fails to reach the heart of the problem.

The case for a single-chamber Legislature must rest largely on other arguments than that it will help oust the "special interests." It may, for example, be a better instrument for doing the work of the American States which tend to become only the administrative units of a national system. Important decisions affecting personal and social security are becoming more and more national in scope. Even if there may be some reaction in the form of States' rights agitation, the problem of the States will consist largely of fitting to their own peculiar needs the broad lines of a policy determined in Washington.

Such a development means the progressive scrapping of the familiar paraphernalia of debate and conference, checks and balances, and all the rest of the traditional parliamentary machinery of a pre-industrial age. More and more State Legislatures will tend to become bodies concerned with questions to the solution of which old-time parliamentary democracy has little to contribute. Business and social groups have developed the lobby as a flexible instrument with which to present their views to legislative bodies. The creation of a single-chamber Legislature is a belated example of a similar inventiveness in politics.

Planning for Medical Care

By CHARLES-EDWARD A. WINSLOW*

COUNTRY after country has introduced a program of sickness insurance, but none has ever abandoned it. In no nation have the political powers or the medical profession ever suggested a departure from the general principle, even if there is much to criticize in detail. Americans, profiting by European experience, should, however, be able to devise a program that might be intrinsically sounder and that would certainly be better adapted to our own conditions and our own psychology than any which might be imported bodily from abroad.

So far as the personnel and resources for providing medical care are concerned there has been a striking development in the United States during the past thirty years. Though the number of physicians has increased less rapidly than the population, the ratio of dentists and hospital beds has grown faster than the population; while the ratio of nurses to potential patients increased about ninefold between 1900 and 1920. Clinic service multiplied some twentyfold during the same period.

In 1929 there were over 1,000,000 people directly engaged in the provision of medical care and the sale of medical commodities. We had in that year 142,000 practitioners with the degree of Doctor of Medicine, or one per 800 population. There were 62,400 dentists in active service, or one to about 1,700; 200,000 trained nurses, or one to about 600, and over 900,000 hospital beds, or one bed to every 130 persons. We were spending annually for all forms of medical care, including hospitals, physicians, dentists, nurses, pharmacists, cultists, drugs and medicines, $3,656,000,000, or about $30 a person. Of this sum $2,885,790,000 was paid by patients themselves, the rest by industry and governmental or privately supported social agencies.

Dr. Roger Lee of Boston, in a study made for the Committee on the Costs of Medical Care, estimated the personnel and facilities that would be needed for a complete system of medical care for the American people. He believed that if all the preventive and curative care called for by modern standards of medicine and public health were provided there would be need for only 7 per cent more physicians and about 20 per cent more nurses than are available today. Hospital beds would have to be increased by about 60 per cent, chiefly for tuberculosis and for mental and nervous diseases. The present supply of dentists is inadequate and should be increased by at least 75 per cent. The Committee on the Costs of Medical Care estimated that all these increased facilities could be enjoyed under an efficient system of medical practice—and with increased compensation for the professional personnel—at an average annual cost of $36 a person.

But it is not the presence of doctors

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and nurses in a community that determines good medical care; it is the extent to which their services are utilized. Are the doctors and dentists and nurses in the United States as professional groups actually rendering the service they could? Are the people of the United States actually receiving the service they should?

The most important single study of the Committee on the Costs of Medical Care was a survey of 9,000 families, living in 130 communities in eighteen different States and representing various economic levels. Each family was observed for a year and, through repeated visits by a public health nurse, full records were obtained of all the illnesses that occurred and of all the medical care that was received. The results—so far as a few typical items are concerned—are summarized in the table below and compared with the estimates for adequate medical care made by Dr. Lee and his group of experts.

ard. Special nursing care in hospitals was 69 per cent below standard, dental care 76 per cent and health examinations 91 per cent.

To illustrate what the "standards" mean and their essential reasonableness, let us consider dental care. Dr. Lee and his colleagues estimated that every person over three years of age should make at least one visit a year to a dentist. Yet the records showed less than one-quarter as many visits to dentists as there were people over three years of age in the 9,000 families. From a comparison of actual service with the potential service which doctors, dentists, hospitals and nurses might provide, it would seem that these persons and agencies are operating at about half their potential efficiency.

Clearly there is something wrong here. It is not that individual doctors and dentists and nurses are not striving to meet the needs of suffering humanity. Though they are striving, only the most fortunate of them have full opportunity to give the service of which they are capable. What is the difficulty? Why do not the people who need service seek out the professional attendant who is waiting to help?

MEDICAL CARE RECEIVED BY 9,000 FAMILIES CLASSIFIED IN INCOME GROUPS (EXPRESSED IN PERCENTAGES OF ESTIMATED IDEAL NEED)

	All Families	FAMILIES WITH INCOME OF—					
		Under $1,200	$1,200-$2,000	$2,000-$3,000	$3,000-$5,000	$5,000-$10,000	$10,000 and Over
Physicians' calls (home, office and clinic)	42	34	36	41	49	64	84
Days of hospital care—general hospitals	54	67	48	55	44	61	87
Hospitalized cases receiving special nursing care	31	12	22	28	43	65	118
Dental care	24	12	18	25	31	45	62
Health examinations	9	3	7	7	9	13	25

The figures in the first column show that in spite of a supply of physicians theoretically adequate for nearly complete care, the actual contacts with physicians in home, office and clinic reached only 42 per cent of a desirable standard. Days of care in general hospitals alone—not including hospitals for tuberculosis and mental and nervous cases where there is a real lack of facilities—reached only 54 per cent of a desirable stand-

The answer is in part "ignorance and carelessness," but in much greater part it is "economic inhibition," as is made clear by an examination of the various columns of the preceding

table. These show that the families with incomes of $10,000 and over do receive approximately adequate medical care except in the field of dentistry and in that of health examinations. These prosperous families have more than five-sixths of the medical and hospital care, nearly two-thirds of the dental care and more than the special nursing care postulated by the Lee standards—a fact which again suggests the reasonableness of those standards.

As we pass down the economic scale the proportion of medical care received grows progressively less. The decrease is consistent except in the case of hospital care, where the very poor (who occupy free ward beds) are better off than the middle levels. Only here is it even approximately true that "the very rich and the very poor receive good medical care." The two lower income groups (under $1,200 and between $1,200 and $2,000) made up in 1929 about half our population. Yet at this time, before the depression, the lower half had only about one-third the medical care, less than two-thirds the hospital care, less than one-seventh the dental care and less than one-fifth the special nursing care called for by reasonable standards of adequacy. Over 45 per cent of the individuals in these lower income groups never came into contact with a physician or a dentist during the twelve months of the survey.

This economic barrier can by no means be regarded as due to exorbitant charges on the part of the professional personnel concerned. Even in 1929, at the peak of prosperity, the average net income of all physicians in the United States was only $5,300. Half of them had net incomes below $3,800 and one-third below $2,500. Nurses in private duty earned on the average (including maintenance) less than $1,600 a year. These figures are ridiculously low in relation to the training required and the grave responsibilities involved. Furthermore, as already pointed out, the total amount of money spent for all forms of medical care in the United States is by no means unreasonable.

The difficulty is, of course, that the average figure of $30 is meaningless. In 1929 Americans, on the average, spent $30 for medical care, $14 for liquor, $13 for tobacco and $12 for confectionery, ice cream and soft drinks. The latter averages are somewhat significant because the actual individual expenditure corresponds within reasonable limits to the average. But with medical care this is not so. Sickness is an emergency; and, in a given year with a given family, experience departs very widely indeed from an average figure.

Here are the facts as revealed by the studies of our 9,000 families: 16 per cent of the families spent less than $10 during the year for all forms of medical care, and 46 per cent spent less than $40. At the other extreme, nearly 4 per cent of the families spent over $500 and 1 per cent of the families spent over $1,000. In general, and in all the various income groups, one family in every hundred spent more than one-quarter of its annual income for medical care during the course of the year.

It is this hundredth family—the family which, in a given year, happens to be burdened with a severe illness—that is the heart of the whole problem. Except at the top of the economic scale such a sudden strain cannot possibly be met out of current income. Some families, as we have seen, go without care. Some resort to free care, placing a burden upon the generosity of the physician or the resources of

the community. Some pay their way—but at the cost of sacrifices which may hang over them for years. Since the physician, the dentist and the nurse must live, charges to those who do pay must inevitably and necessarily cover the time spent in caring for free patients or in enforced idleness as a result of the failure of many potential patients to seek care. As charges to the paying group rise, more and more families are forced into the neglected or the non-paying groups.

The way to break this vicious circle seems obvious. Sickness is an emergency and the family that suffers severely in a given year is often unable to meet that emergency. Now other emergency costs—those arising from fire, burglary, automobile accidents or death—are covered by insurance, by regular annual payments which can be met with relative ease and which avoid crushing burdens when a crisis occurs. This is the logical way to deal with the emergency of illness.

At present a family with an income of $10,000 or over can ordinarily meet even the emergency costs of illness. Such a family is today obtaining reasonably good medical care and is paying for it. Below that level is a large section of the community which is unable to pay the costs of serious illness and which goes without care or fails to pay for what it receives. Yet this great middle group could pay for all the care required if the cost were distributed on an annual payment basis through a system of insurance.

Further down the economic scale are families which could pay at least a part of the average cost of medical care, while at a still lower level are others which gain a bare subsistence or less. Here, the resources of the State or of the voluntary social agencies must be called into play.

We have come to recognize—in theory—the obligation to provide medical care for those who cannot pay, but we do it in such a way that families below the $1,200 level actually fail to receive the care they need. With a comprehensive insurance scheme, supplemented at the lower economic levels by a dignified and regularized system of subsidy, doctors and dentists and nurses could be better paid than at present, hospitals better supported and reasonably adequate care provided for the whole population of the United States. The total cost need not be materially greater than the sum of $30 per person per year now being spent for grossly inadequate care.

Arguments of this sort have induced practically all the nations of Western Europe to establish systems of sickness insurance. These systems differ in detail; but they all embody the same general principles. The industrial worker below a certain income level must contribute a fixed weekly sum to an insurance fund, a contribution which is supplemented by others from the employer and from the State. When a worker is ill the fund provides a cash benefit for a part of his lost wages and for at least a portion of his medical care.

In the United States the mistake should be avoided of combining medical benefits and cash benefits to cover wage loss. Both are desirable but the attempt to operate them under the same system has caused the most serious difficulties in the working of the European schemes. Secondly, we should seek through medical benefits a more complete coverage than in many European plans. Great Britain's insurance law, for example, provides medical benefits which cover only home calls or office visits of a general practitioner. This

seems like insuring against only those risks which least need the protection of insurance. Treatment by specialists and hospital care make up the most variable items in the medical bill. They constitute the grave emergencies of illness.

Obviously such a plan involves changes in medical practice as well as in medical payment. If insurance fees are paid only to general practitioners in their offices nothing more adequate can be furnished in the way of service than that provided by the British panel system. If, on the other hand, complete protection is desired, we must deal with groups of practitioners, including specialists as well as general practitioners, dentists and nurses as well as physicians, and these groups must be affiliated with hospitals that can offer institutional care of bed cases.

Group organization of practitioners and agencies has at least two other outstanding advantages. In the first place substantial economies are made possible. Individualistic medicine raises overhead costs since the professional and clerical equipment needed in each office involves wasteful duplication; about 40 per cent of the average physician's receipts are consumed in overhead. Under the present system of practice the time of the personnel is also wasted. The average physician, particularly in the years immediately following graduation, spends a large part of his time waiting for patients, while the older man, with unusual capacity in some particular field, attends to routine functions which a younger man could perform quite as well.

Study by the Committee on the Costs of Medical Care clearly revealed the economies involved in organized as compared with unorganized medical service. At Lead, S. D., the employes of the Homestake Mining Company obtained for $71,000 medical service which at current local rates would have cost $175,000. Yet the incomes of the company physicians compared favorably with the earnings of private practitioners in the same area.

Finally, it may be claimed that only through organized group practice can the quality of medical service be maintained at a reasonably high level. Those who know the kind of medical care received by persons on the lower and middle economic levels cannot ignore the seriousness of this problem. It is one that outside agencies cannot solve. Only the medical profession itself can safeguard the quality of medical service, and then only through some degree of group responsibility.

How shall such groups be organized? The Committee on Costs of Medical Care suggested that they be developed by the profession itself with the local hospital as a nucleus. Such a grouping might be carried so far that practically all the physicians, dentists and private duty nurses in a given community would be on the staff of one or other of its community hospitals. These groups would be organized as our hospital staffs are organized today under qualified heads, with all professional policies directed by the professional groups concerned.

Complete preventive and curative care of all types, in home, office and hospital ward, could be offered for one fixed annual fee, the income of the group being used for the payment of salaries or divided in any other fashion which might be agreed upon. The majority of physicians on the staff would be general practitioners and the individual patient would choose his own physician among those available in the groups within his reach.

In order to attain such an ultimate ideal, the Committee on the Costs of Medical Care suggested that the inauguration of radical plans for compulsory sickness insurance be delayed until the medical profession could experiment with group practice on a voluntary insurance basis. State legislation for compulsory insurance will ultimately be essential, but the power of the State can be limited to the purely financial aspects of the problem. A few years' delay would be amply rewarded if it made possible an insurance plan covering all the costs of illness, something that would depend upon the organization of physicians to provide a comprehensive service.

The more reactionary critics of the committee program have relied chiefly upon two arguments—or rather on two emotional appeals. The first of these is to the fear of "State medicine"; but, whether "State medicine" be a fearful thing or not, nothing could be much less like "State medicine" than the committee's plan for organizing the medical profession by the profession itself around the nucleus of existing voluntary hospitals.

A second appeal against almost any proposal to improve the present situation urges the importance of preserving the personal relationship between physician and patient. With this ideal the Committee on the Costs of Medical Care was in complete sympathy. The first criterion for a satisfactory medical program laid down by the committee was that "the plan must safeguard the quality of medical service and preserve the essential personal relation between patient and physician." But the fundamental obstacle to a satisfactory personal relationship between physician and patient today is economic, and the only way to maintain such a relationship is to remove the obstacle through a system of fixed annual payments for medical service. In spite of appeals to conservative prejudices, the medical profession as a whole is seriously considering these problems. In Michigan and California local and State medical societies have adopted specific plans for service on the basis of fixed annual payments. Most encouraging of all, however, is the preparation by the American Hospital Association of a detailed "Periodic Payment Plan for the Purchase of Hospital Care." This plan covers only hospital costs (not the physician's services) and in many places the rates charged have been too high to obtain wide support. But the principle is sound, and hospital insurance of this type is now available in sixteen States. If insurance covering hospital costs alone becomes general, the next step would be the coverage of the medical costs of hospitalized illness, and ultimately the home and office costs would be brought into the general scheme.

The course of discussion during the past two years has tended to strengthen the view that the effective utilization of the potential resources of modern medicine can be realized only by the application of the principles of group practice and group purchase. Shall these principles be applied under external lay pressure, as in Europe, or shall they be worked out by the medical profession? This is the real problem before both doctor and patient in the United States today.

Current History in Cartoons



Guess I better learn to like this stuff
—*The Sun,* Baltimore



The spirit of '34
—*Richmond Times-Dispatch*



The "Build Now" movement
—*Arizona Republic,* Phoenix



Frontiers
—*St. Louis Post-Dispatch*



G. H. Q., Army of Unemployed
—Seattle Post-Intelligencer



Another tough workout for the horse
—St. Louis Globe-Democrat



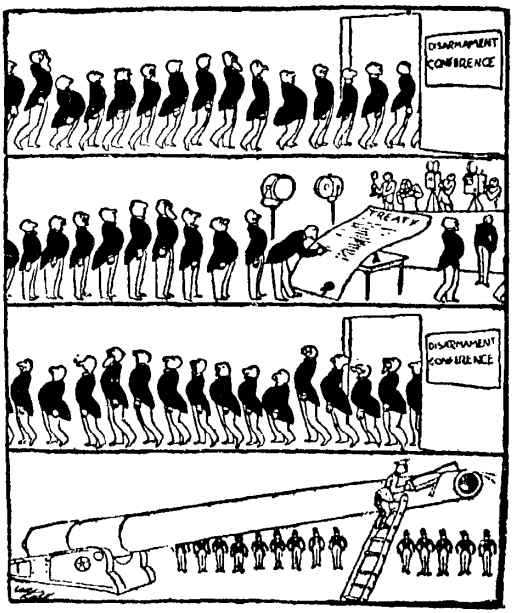
"Darker grows the valley"
—St. Louis Post-Dispatch



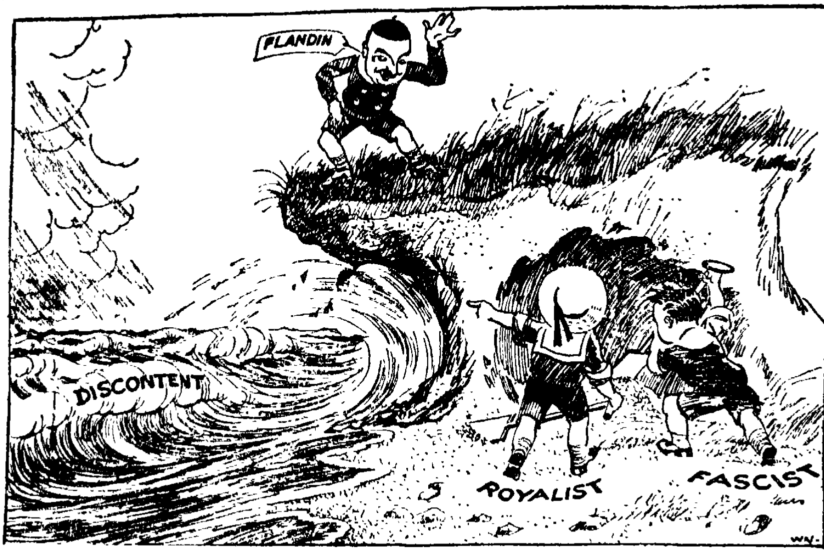
"Another race, Admiral? Against whom?"
"The human race, madam"
—*Daily Herald,* London



Conversations after the naval holiday
—*Gucrin Meschino,* Milan



Achievement in diplomacy
—*Sciuretz,* Sofia



"You won't bring me down with your toy spades"
"P'raps not, Flandy, but what about the waves?"

—Glasgow Bulletin

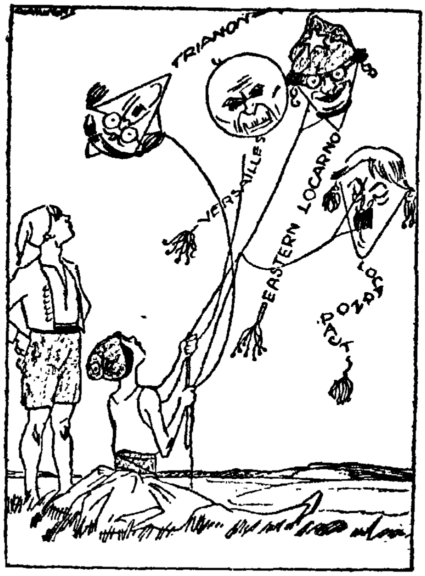


The French Mother Hubbard—and her lucky dog

—Glasgow Record



A new naval ratio—2 to 1
—*Philadelphia Inquirer*



Don't let the strings tangle, Marianne!
—*Kladderadatsch,* Berlin

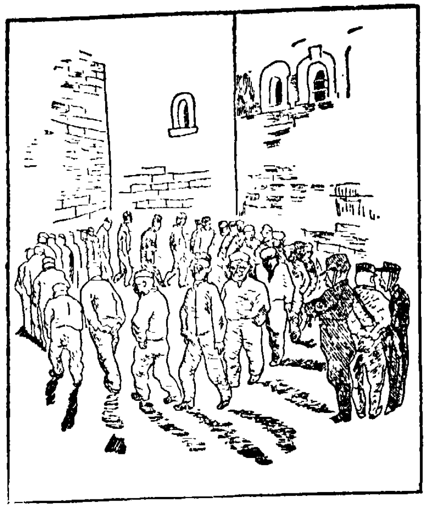


British Dog—"My missis may be old-fashioned and all that, but she does give me a run in the park occasionally"

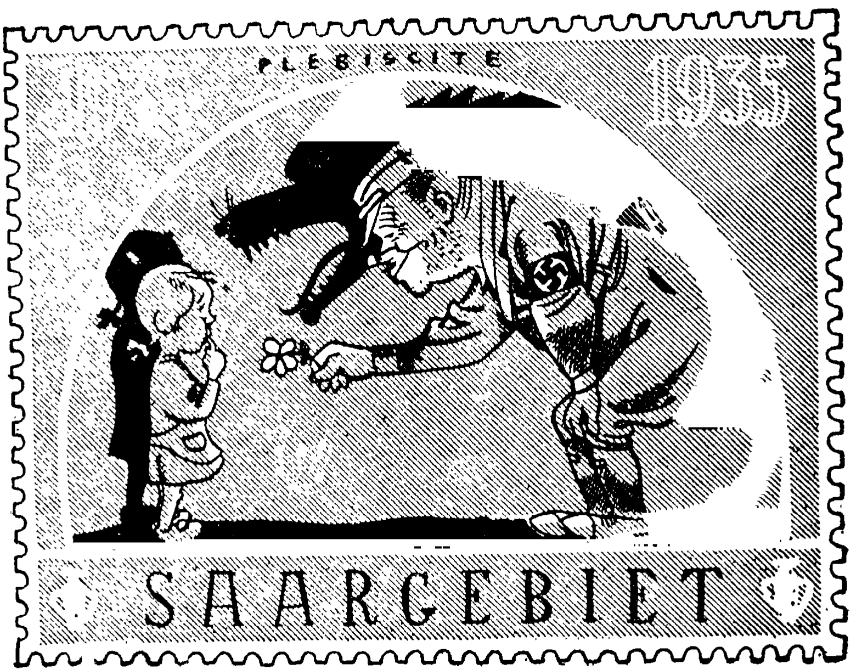
—*Glasgow Evening Times*



Cannon King—"Ah yes, my angel, even though we can't forego profits, we dote on you"
—*Jugend*, Munich



Literary circle in Adolf Hitler's earthly paradise
—*Krokodil*, Moscow



Design for postage
—*Krokodil*, Moscow

A Month's World History

Chronology of Current Events

International Affairs

Oct. 23—Naval conversations among the United States, Great Britain and Japan begin in London (**Page 453**).

Nov. 1—Signatories of Balkan Pact meet at Ankara (**497**).

Nov. 7—Polish Sejm reaffirms Poland's loyalty to French alliance.

Nov. 22—Yugoslavia files charges with League against Hungary (**456**).

Dec. 3—France and Germany sign agreement on Saar plebiscite (**490**).

Dec. 5—Great Britain agrees to aid in policing the Saar during and immediately after plebiscite (**491**).

Dec. 6—France and the Soviet Union sign pact governing their diplomatic activities.

Dec. 10—League Council averts Yugoslav-Hungarian crisis (**455**).

The United States

Nov. 8—Senator Borah opens campaign to reorganize Republican party (**466**).

Nov. 9—Borah demands investigation of administration of Federal relief (**461**).

Nov. 10—The President appoints advisory council on economic security (**459**).

Marriner S. Eccles appointed chairman of Federal Reserve Board (**462**).

Nov. 13—HOLC refuses further applications for loans (**462**).

Nov. 14—The President appoints group to coordinate all Federal loan agencies.

Nov. 15—Josephine Roche appointed Assistant Secretary of the Treasury.

Federal inquiry into American Telephone and Telegraph Company is ordered.

Nov. 16—U. S. Chamber of Commerce pledges support to President Roosevelt (**460**).

Francis B. Biddle appointed chairman of National Labor Board (**465**).

Nov. 18—AAA announces greater hog and corn production for 1935.

Nov. 20—George N. Peek denounces restriction of production and calls for new trade policies (**464**).

Nov. 21—A. F. of L. rejects steel industry's offer of labor truce

Nov. 23—Samuel Insull and aides acquitted of Federal charges (**461**).

Nov. 27—AAA announces reduced cotton acreage for 1935.

Nov. 28—Harry L. Hopkins maps gigantic work-relief plan (**463**).

Nov. 30—Thirty-six-hour week begun in 5,000 cotton textile plants.

Dec. 3—Supreme Court upholds compulsory military training in land-grant colleges.

Latin America

Nov. 11—Mexican Attorney General prefers charges against Catholic dignitaries (**471**).

Nov. 16—United States refuses to associate itself with League efforts to secure Chaco peace (**474**).

Nov. 17—League's proposals for Chaco peace made public (**474**).

Paraguay captures Fort Ballivian (**473**).

Nov. 19—Paraguay rejects League peace plan (**474**).

Nov. 28—President Salamanca of Bolivia forced to resign (**473**).

Nov. 30—Lázaro Cárdenas inaugurated President of Mexico (**470**).

Dec. 7—United States agrees to assist League commission to guarantee neutrality after Bolivia and Paraguay sign an armistice.

The British Empire

Nov. 1—Western Australia petitions British Government for privilege to secede from Australian Commonwealth.

Nov. 7—United party wins in Southern Rhodesian elections (**480**).

Nov. 10—New Zealand Parliament adjourns (480).

Nov. 14—New Huggins Cabinet announced in Southern Rhodesia (480).

Nov. 14-Dec. 10—General elections to Indian Legislative Assembly (478).

Nov. 16—British Betting and Lotteries Bill and Incitement to Disaffection Bill receive Royal Assent (479).

Third session of British Parliament ends (479).

De Valera re-elected president Fianna Fail party.

Nov. 20—Northern Ireland Parliament opens.

Fourth session British Parliament opens (479).

Nov. 21—India Joint Select Committee report published (476).

Nov. 29—Southwest African Assembly votes to join with Union of South Africa (480).

Dec. 4—Fianna Fail gains in Irish Free State Senate elections.

Dec. 5—Fusion of Nationalist and South African parties goes into effect in Union of South Africa (480).

France and Belgium

Nov. 9—Pierre-Etienne Flandin forms "truce" Cabinet in France (481).

Nov. 13—Flandin Cabinet receives vote of confidence in French Chamber (481).

De Broqueville Cabinet falls in Belgium (485).

Nov. 20—Georges Theunis forms a Belgian Cabinet (485).

Nov. 27—Flandin outlines French recovery program (481).

Dec. 3—French Colonial Conference opens in Paris (483).

Germany, Austria and Danzig

Nov. 18—Local elections in Danzig indicate significant Nazi gains (490).

Nov. 23—German Minister of Propaganda Goebbels declares government will not interfere further in Protestant church quarrel (488).

Nov. 24—Hermann Rauschning, head of Danzig administration, is succeeded by Arthur Greisser (490).

Nov. 30—New Austrian Diet assembles (491).

Dec. 4—German Cabinet decree limits stock dividends (488).

Dec. 5—Former Mayor Seitz of Vienna released from prison (491).

Dec. 6—Gottfried Feder, German Nazi economist, forced to retire.

Italy and Spain

Oct. 30—Italy creates Wolf Balilla (494).

Nov. 12—Mussolini opens General Assembly of Corporations (493).

Nov. 17—Ricardo Samper and Diego Hidalgo resign from Spanish Cabinet (493).

Czechoslovakia and Yugoslavia

Nov. 10—Important groups petition Yugoslav Regency for more liberal régime (498).

Nov. 15—Yugoslavia begins to expel Hungarians (498).

Nov. 24-26—Czech and German students riot at University of Prague (497).

Northern Europe

Oct. 10—Finno-German clearance agreement comes into force (499).

Oct. 15—Labor wins in Norwegian municipal elections (500).

Nov. 5—Anglo-Norwegian fisheries pact signed (500).

Nov. 30—First stated meeting of Baltic Entente takes place.

The Soviet Union

Nov. 7—Seventeenth anniversary of Bolshevist revolution.

Nov. 20—Five doomed to death for sabotage of cotton-picking program.

Nov. 22—Bread-card system ended (503).

Nov. 30—Decree raises all salaries and wages 10 per cent (503).

Dec. 1—S. M. Kirov assassinated (504).

The Near and Middle East

Oct. 30—League Commissioners arrive in British Guiana to investigate proposed Assyrian settlement area.

Nov. 1—Grand National Assembly opens in Turkey.

Nov. 3—Syrian Parliament prorogued by French High Commissioner (507).

Nov. 9—Mixed Commission for exchange of Turkish and Greek populations completes its labor (498).

Nov. 12—Tewfik Pasha appointed Egyptian Premier (506).

Nov. 19—Syrians demonstrate against French rule.

Nov. 30—King Fuad abolishes Egyptian Constitution of 1930 and dissolves Parliament (506).

The Far East

Oct. 27—King Prajadhipok of Siam asks to abdicate (551).

Nov. 12—Juikin, Chinese Communist cap-

ital, captured by Nanking army (511).

Nov. 14—Oil sales monopoly law promulgated in Manchukuo (509).

Nov. 21—Japanese Army officers accuse China of delaying execution of Tangku armistice terms.

Nov. 24—British Government again protests Manchukuoan oil sales monopoly. United States supports British position (509).

Nov. 26—Japanese Finance Minister Sadanobu Fujii resigns. Succeeded by Korekiyo Takahashi (508).

Nov. 27—Special session of Japanese Diet opens (508).

Dec. 6—Japanese Cabinet suppresses opposition in Diet.

Other Countries

Nov. 17—Abyssinian mob attacks Italian Consulate at Gondar. Abyssinia sends note of regret to Italy and offers damages (507).

Disturbers of the Peace

By ALLAN NEVINS*

If there was any principal centre of attention in international affairs during November, it was undoubtedly London. There the naval conversations of the United States, Great Britain and Japan were going on. Thither came Herr von Ribbentrop, Hitler's special commissioner for dealing with disarmament questions, to talk with Sir John Simon and Captain Anthony Eden. The British capital witnessed the two principal contributions to the discussion of armaments and international difficulties during the month—the magnificent speech of Jan Smuts on Nov. 12, which dealt largely with Japan, and the important debate in the Commons upon air defense and the German threat on Nov. 28.

But the net consequences of all this, from a practical point of view, were nearly zero. The uneasiness excited by Germany and Japan has not been diminished a whit. In Western Europe, and particularly Great Britain and France, it is the position of Germany that arouses the most concern; in the United States it is that of Japan. Russia, between the two, is obviously fearful of both. The greatest present gain that could be made for world peace would be a clarification of their intentions and position, but there seems no prospect of any such advance.

Both Germany and Japan are suspected by their neighbors of harboring aggressive designs. Both have shown in recent years a signal disregard of treaty obligations and the opinion of the rest of the world. In both the government is in the hands of ruling groups which can and do act with alarming arbitrariness and even arrogance. It is not strange that both, in spite of their protests of peaceable intentions, are deeply mistrusted. So far as Japan goes, negotiations to fix her naval position have not yet really begun—only preliminary talks have been held—and the speech of Ambassador Saito during the month offered a faint glimmer of hope. But with Germany it is a question of reviving negotiations that now seem dead.

How seriously the position of Germany disturbs all her neighbors was demonstrated by the dramatic debate in the British Parliament on air defenses as November closed. This de-

*This month Professor Nevins sends his survey of international affairs from London, where he delivered the Watson Foundations lectures under the auspices of the Sulgrave Manor Board.

bate was provoked by Winston Churchill's amendment, calling for larger air appropriations, to the reply to the speech from the throne. According to Mr. Churchill, Germany now has a powerful and well-equipped army, with an immense reserve of trained men; German munitions factories are working "under practically war conditions," and the Germans are increasing their air forces so rapidly that within a year they will be at least as strong as Britain's and by the close of 1937 twice as strong. Mr. Churchill drew an appalling picture of the destruction that a week of continuous air raiding might accomplish in London. "The decision of a handful of men--men of June 30—is all that is required to launch an attack upon us," he added, "and only the shortest notice, or no notice at all, could be counted upon."

Stanley Baldwin's reply to this was only half reassuring. He declared that there is no ground at the moment for undue alarm and no immediate menace. He assured England that its air defenses are sufficient. According to the best information he could obtain, Germany has between 600 and 1,000 military airplanes (the French Air Minister thinks about 1,100); Great Britain, while possessing only about 690 front-line machines, has so many more in her reserves that she possesses an easy superiority. "Germany's real strength is not half of ours." Moreover, the British program is such that she will keep easily ahead of Germany's. Mr. Baldwin thinks that the German ground forces—her long-service army of 100,000 men is being converted into a short-service army of 300,000—are not yet menacing. But he spoke in the gravest terms of "the secrecy which enshrouds what is going on in Germany," the result of which was general apprehension.

Since Hitler came into power and the Reich withdrew from the disarmament conference, Mr. Baldwin admitted, conditions had gone from bad to worse all over Europe. Nations everywhere had strengthened their defenses; the Little Entente had consolidated its ranks; Austria had drawn near to Italy and Russia to France. He spoke of the fact that recently, with armaments piling up, with Mussolini making an alarmist speech upon the imminence of war, signs of fear had appeared even in Switzerland and Scandinavia. Hinting that Germany might end all this, Mr. Baldwin used words that were universally construed as an invitation to Germany for a renewal of the discussion of arms equality and of disarmament. In this sense Lloyd George warmly supported it. But it awoke no hopeful echoes on the Continent.

The reception of the speeches by Churchill, Baldwin and Lloyd George in Germany was not devoid of recrimination. The Germans are willing to grant that Europe is in a jumpy condition, but they resent any attempt to place the sole responsibility for this upon their shoulders. The German press hastened to assert that the withdrawal of the Reich from Geneva can be blamed upon others. They attribute it largely to Sir John Simon's unhappy speech at Geneva in October, 1933, which closed the door to the practical attainment of the equality already largely promised Germany; and they state that it was then that the subsequent stubbornness of the French frustrated the efforts of the British, Italians and Germans to reach an agreement within the outlines of the MacDonald plan—efforts which at the time of Captain Eden's Continental tour promised full success. The *Allgemeine Zeitung* declared: "If England desires the return of Ger-

many to Geneva she must create the necessary pre-conditions."

Since French comment on the Commons debate showed complete hostility to any fresh negotiations with Germany, Mr. Baldwin's invitation will accomplish nothing. Before any discussions can begin, according to *Le Temps*, the German representatives must return to Geneva. Herr von Ribbentrop's visit to the British Foreign Office on Nov. 13 had preceded the debate by about a fortnight. His chat with Sir John Simon was barren. Foreign Office spokesmen let it be known that while he had talked about disarmament he had said nothing whatever that counted for anything, the implication being that he had asked impossibly high terms for Germany's return to Geneva.

Apparently Europe must continue indefinitely on her present dark path. The Germans are insisting upon "equality" in more than the military sense; they intend in time to take up the question of the return of the colonies, and that of the demilitarized zone. Meanwhile, by illegal means, Germany is steadily moving toward actual equality in arms. The French will in the end gain nothing by their stubborn stand, and may lose a great deal. One of the most pernicious features of the present situation is precisely that secrecy which Mr. Baldwin mentioned. Because of the mystery surrounding Germany's rearmament the most exaggerated tales are current in outside countries, and in Germany the atmosphere is not very different from that of wartime.

JAPAN AND AMERICA

Meanwhile, the unhappy deadlock in the naval discussions involving the United States, Great Britain and Japan continued. Throughout November talks of naval experts and diplomatists upon the London and Washington Treaties failed of the slightest result. The Washington Treaty of 1922, which limits the great powers with respect to capital ships, aircraft carriers and the size of the largest cruisers, will go on indefinitely unless notice is given to terminate it. But it is well understood that Japan expects to serve notice of its abrogation, and at the end of November she made an unsuccessful attempt to obtain the support of France and Italy in taking this step.

The London Treaty of 1930, which deals with cruisers in general, destroyers and submarines, will automatically expire at the end of 1936 unless a new one can be negotiated in its place. Leaders in all three countries announce publicly every few days that a breakdown of the system of naval limitation and the commencement of a naval race would be a great disaster. Sir John Simon told Parliament on Nov. 22 that "the financial evils and the political evils" which would result would be most unfortunate. Foreign Minister Hirota made much the same statement to the Japanese Diet on Nov. 29. But the three countries as the month closed seemed to be drifting forward to precisely that result.

Details of the stand of the three nations are withheld. But it is well known that Japan is wholly dissatisfied with the ratio of 5:5:3, and desires to establish a new system, the general object of which would be to enable each power to build at will within a common upper limit representing the total tonnage of all ships permitted. Various Japanese spokesmen have declared that they wish to make this common upper limit as low as possible. For example, Hiroshi Saito, the Japanese Ambassador to the United States, said in a speech at

Philadelphia on Nov. 23 that Japan was willing to abolish all offensive types of naval vessels and to reduce her total tonnage to one-half if equality were only granted her. He insisted that the 5:5:3 ratio suggested a "moral superiority" on the part of Great Britain and America which was humiliating to Japan and quite without warrant. Foreign Minister Hirota, in the speech mentioned above, also said that "we desire to bring about thorough and drastic naval reduction," and that "we seek the drastic limitation of offensive arms."

For obvious reasons, these proposals are unacceptable to Great Britain and the United States. It is true that a considerable body of American opinion has responded warmly to Ambassador Saito's speech. Senator Gerald Nye immediately followed it on Nov. 24 with a speech in New York urging that the offer of the Japanese be accepted. "If we are in good faith, we ought to meet them. If it's a 'dare,' let's take it. Certainly if Japan is willing to reduce her navy in exchange for parity I would be willing to give them parity." Several journals have taken the same line.

But officially the Roosevelt administration is against the Japanese suggestion. Clearly, abolition of all offensive units would hopelessly cripple Great Britain and the United States, with their far-flung territorial dependencies, while it would leave Japan the indisputable mistress of Far Eastern waters. Both Great Britain and the United States are willing to give Japan "equality of security." That is her right, but it is far from meaning that all three fleets should be equal in size, for the vulnerability, responsibilities and resources of the three powers differ. Sir John Simon indicated on Nov. 22 that the British Government will be adamant to the Japanese proposals, and Washington certainly will continue so. France and Italy are as yet not keenly interested.

There is evidence that some British and American leaders think that Japan is bluffing. Certainly she cannot continue her present demands without, as General Smuts' speech showed, forcing the United States and the British Commonwealth of Nations to come together. For that matter, she is in no position, either financially or politically, to enter into a naval race with either power. The Roosevelt administration has shown that it is willing to spend money liberally upon a navy. If the Japanese denounce the Washington treaty at once, a naval conference must nevertheless take place next year under the terms of that treaty, while the compact will remain effective till 1936. In the interim Japan may well come to her senses.

Great Britain and the United States, to be sure, are not in perfect agreement on naval matters. The British Government has apparently gone back to its demand of 1927 for seventy cruisers as against the fifty allowed by the London treaty, and Britain wishes to reduce the size of capital ships. The United States, on the other hand, desires to keep heavy capital ships of long cruising range to atone for her lack of naval bases and wants cruisers of 10,000 tons. But in regard to Japan's demand for equality, the two powers will certainly stand together.

This cardinal fact may not always be clear from the actions or utterances of Sir John Simon, whose Far Eastern policy is now being heartily abused by the greater part of the British public. But it is certainly clear from the utterances of the British press. And General Smuts, speaking before the Royal Institute of International Affairs in London on Nov. 12, bore emphatic witness to it. "I would say,"

he said, "that to me the future policy and association of our great British Commonwealth lie more with the United States than with any other group in the world. If ever there comes a parting of the ways, if ever in the crises of the future we are called upon to make a choice, that, it seems to me, should be the company we should prefer to march with to the unknown future. On that path lie our past affiliations, our common moral outlook, our hopes and fears for the future of our common civilization."

THE EASTERN PACT

Apart from the Yugoslav-Hungarian dispute, dealt with elsewhere, other recent events in the international sphere have been of minor importance.

France, backed by Great Britain, still continues her blandishments of Poland in behalf of the "Eastern Locarno." Her latest move was the delivery of a note to Colonel Beck, the Polish Foreign Minister, in Warsaw on Nov. 26 offering Poland several concessions. It is said on good authority that if Poland will only enter the pact, France agrees that Poland need not assume any obligations with regard to Lithuania (Poland and Lithuania have not resumed diplomatic relations); that Poland need not guarantee the integrity of Czechoslovakia, and that the Polish-German non-aggression agreement which was signed early this year may be included within the pact. Though the note was viewed with favor in Warsaw, it did not remove all the Polish objections. One of the chief of these is the fear that, under an Eastern Locarno signed by all the neighboring nations Russian or German troops might under certain eventualities cross Polish territory to fight. It is not yet clear that Warsaw intends to enter the Eastern Locarno or what France will do if she does not.

There is much that civilization, as the year 1934 draws to a close, has to deplore; but if Germany and Japan—and above all Germany—can be brought into fuller harmony with the peace-loving nations of the world, the outlook may brighten rapidly.

The Yugoslav War Scare

By FREDERIC A. OGG
Professor of Political Science, University of Wisconsin

THE will to peace outweighed the will to war early in December when the League Council at Geneva took up the dangerous dispute between Yugoslavia and Hungary. Whether the charges and countercharges lodged with the League by these two countries in consequence of the Marseilles assassinations on Oct. 9 would have led to war now seems to be an academic question. Yet for a few days in December the tension seemed close to the breaking point, and a catastrophe was apparently averted only when pressure exerted by the great powers forced through the Council at midnight on Dec. 10 a compromise that resolved the crisis.

Yugoslavia, after investigating the assassination of King Alexander and Louis Barthou, concluded that the crime had an international backing. Almost from the beginning, therefore, and despite the opposition of France,

it was proposed to carry the dispute to the League of Nations. Eventually the Yugoslav Government decided upon an appeal to the League Council, and on Nov. 22 the Yugoslav delegate at Geneva handed Secretary General Avenol a statement of the Yugoslav case. On the same day separate notes were delivered by Czechoslovakia and Rumania, the two other partners in the Little Entente, declaring that they associated themselves with Yugoslavia.

The finger of suspicion was pointed principally at Hungary. Weeks before Oct. 9, the Yugoslav Government had deposited with the League a memorandum tending to show that the Hungarian frontier was a base from which Croat and other Yugoslav refugees habitually launched terrorist activities against the security and integrity of Yugoslavia. This document was awaiting attention when the Marseilles assassinations gave the matter a new and startling importance.

The memorandum, reviewing a long series of disturbing events, alleged that as far back as 1931 and 1932 a group of Yugoslav refugees, bent upon criminal activities and expelled from other States, found "a very large hospitality" on Hungarian soil. Led by a certain Gustav Percec, the band of thirty or forty established headquarters on a farm of Janka Pusta, within four miles of the frontier, and there enjoyed not only the "benevolent tolerance" of the Hungarian authorities but, according to the memorandum, apparently their "active collaboration." The farm was transformed into a depot of arms and munitions, whence terrorists, practiced in the use of bombs and infernal machines, repeatedly crossed the border—sometimes on passports given them by Hungarian officials—to commit outrages on Yugoslav territory.

A lengthy list of the resulting outrages was included; earlier correspondence of the two governments on the subject was reviewed; and the charge was voiced that in tolerating on its territory activities directed against the integrity and public order of the Yugoslav State, the Hungarian Government had "failed in an indisputable international duty of every government, that is to say, the prevention by all the means in its power of such activity, directed against a neighboring State." Having secured no relief or redress by direct appeal to Budapest, the Belgrade authorities, it was asserted, had no alternative but to lay the situation before the Council of the League.

With this memorandum already in the Secretariat's files at Geneva, the Yugoslav Government made its fresh appeal of Nov. 22. "The assassination [of King Alexander I]," said the new note, "was organized and executed with the participation of those terrorist elements which have taken refuge in Hungary, and which have continued to enjoy the same connivance in that country as previously, and it was only thanks to this connivance that the odious Marseilles outrage could have been perpetrated." Evidence brought to light by Yugoslav police, it was asserted, had changed grief to popular resentment, and only faith in the League had kept the country calm. The time has come when it is "absolutely necessary that the responsibilities incurred should be denounced before the highest organ of the international community, since there can be no greater danger to international peace and good relations than a people's repressed feeling that it has been the victim, in the person of its heroic chief, of criminal acts, and that those responsible for those acts may escape their just punishment."

Though couched for the most part in general terms, the note really narrowed the issue to Hungary, the facilities and protection enjoyed by criminals on the soil of that country being characterized as "hardly credible." All three notes closed with a statement that in view of the gravity of the situation the three governments found themselves obliged to bring it before the Council under Article XI, Paragraph 2, of the covenant of the League.

The Hungarian reaction was prompt and spirited. Declaring that his government was not surprised by the Yugoslav note, Premier Goemboes professed to see in it "only a continuation of the malicious anti-Hungarian press campaign" and declared that Yugoslavia and her associates, "confident of their military superiority," were imperiling the peace of Europe. Italy and Austria also came within the orbit of Yugoslav suspicion, and when, on Nov. 24, the Hungarian Government dispatched a note to the League, its representations were understood to have the full backing of those two powers. Premier Goemboes, indeed, flew to Vienna to discuss the matter with Chancellor Schuschnigg and Foreign Minister Berger-Waldenegg.

The Hungarian note handed to Secretary-General Avenol complained that since the crime of Marseilles Hungary had been "the victim of a violent campaign and of the most far-fetched accusations," creating a political atmosphere "not only full of serious dangers for the ordinary relations between certain States in Europe, but affecting even the peace of the world." This tension had been further deepened by the recent notes of Yugoslavia and her allies. "It is, indeed, no exaggeration to assert," the note added, "that if this situation continues and if Hungary and the Hungarian Government and its authorities are to go on being exposed to the various indictments and calumnious declarations to which they have been subjected for several weeks, serious consequences might ensue for peace, the preservation of which is the most important task of the League."

Referring to the fact that Yugoslavia had invoked Article XI, Paragraph 2, of the covenant, the Hungarian appeal went on to invoke also Article IV, Paragraph 4, empowering the League to deal with any question affecting the peace of the world. Finally, it requested that in order to secure the proposed investigation with all possible promptness, the matter be placed on the agenda of the extraordinary session of the Council then in progress. But consideration was postponed for a fortnight.

Meanwhile emotional elements were injected into this explosive situation by rumors of armed preparations and border forays and particularly by the expulsion of large numbers of Hungarians residing in Yugoslavia. These expulsions, carried out in many instances with unnecessary haste, gave rise to the now familiar types of atrocity stories.

In such an atmosphere on Dec. 7 the League Council opened its hearing on the Yugoslav appeal against Hungary for alleged complicity in the assassination of King Alexander. During a heated debate between representatives of the Little Entente and of Hungary, the spectre of revisionism was ever present. Both M. Jeftitch, the Yugoslav delegate, and Eduard Benes, the Czechoslovak Foreign Minister, spoke of threats to the territorial integrity of the Succession States. M. Benes declared that if these threats were translated into action war would certainly come. Tibor Eckhardt, speaking

for Hungary, denied the allegations of the Little Entente and described the expulsions from Yugoslavia as "cruel measures" which had "aroused indignation hard for the Hungarian nation to restrain."

On the following day Great Britain and France sought to soothe the ruffled feelings of the contestants, while Italy in a temperate fashion championed Hungary and the cause of treaty revision. Maxim Litvinov, the Soviet representative, denounced all terrorism, as did Pierre Laval, who outlined a convention to restrain terrorist activities. But as M. Laval had declared frankly that "France in this grave debate is on Yugoslavia's side," many observers feared that the powers were lining up for a future conflict in which France and the Little Entente would be opposed to Italy, Hungary and the other nations within the Italian orbit.

This fear had some foundation, since there was the possibility that while the diplomats were scurrying about at Geneva some reckless act on the Yugoslav-Hungarian frontier would precipitate war. Internal tension in the two countries, it was also believed, would not permit long delay at Geneva. Meanwhile Yugoslav treatment of Hungarian residents was alienating popular sympathy for the nation that still mourned its king.

A formula to end the dispute was drafted in the early morning hours of Dec. 10 and adopted unanimously at a night meeting of the Council that same day. Adoption followed speeches from the three Little Entente delegates and from the representative of Hungary. While M. Benes and M. Titulescu made veiled threats of war, M. Jeftitch was more moderate. M. Eckhardt, appealing for Hungary, declared that for sixteen years the Danubian States had known no "veritable peace." In his speech, though for the most part it was temperate and conciliatory, he warned M. Benes: "If you lead us to hell you will have to come with us."

With speech-making out of the way, the members of the Council were ready to vote for the resolution which declared that "certain Hungarian authorities may have assumed, at any rate through negligence, certain responsibilities relative to acts having connection with the preparation of the Marseilles crime." Hungary, furthermore, was asked "to take at once appropriate punitive action in the case of any of its authorities whose culpability may have been established." The resolution then provided for the creation of a committee of experts to draft a convention for the "repression of conspiracies or crimes committed with political or terrorist purpose."

Unquestionably the Little Entente gained most from the Council's settlement of the Yugoslav-Hungarian quarrel. Yet Hungary had conducted herself with a good deal of dignity and had escaped direct conviction of complicity with the Marseilles crime. In addition, punishment of the guilty Hungarian officials was left to "the good-will of the Hungarian Government." Yugoslavia, as a result of the Council's resolution and the pleasing characterization of the murdered monarch as "the knightly King Alexander I of Yugoslavia, the unifier," left Geneva with increased prestige. Meanwhile the expulsion of Hungarians from Yugoslavia had been halted. But the spectre of revisionism had not been laid, nor had the grouping of the European powers been altered. Perhaps, as the Portuguese President of the Council said, the League had been the real victor in the quarrel. And war for the moment had been avoided.

America Twists and Turns

By CHARLES A. BEARD

THE great kaleidoscope of American culture has revolved upon its axis for another month without bringing into being any new configurations of interests, ideas and Presidential actions. Confusion and uncertainty continued to reign as in the preceding month. Officials in the administration made speeches and emitted statements carrying contradictory implications. Lower Federal courts declared unconstitutional certain features of the recovery program, but the Supreme Court made no major decisions in this field. President Roosevelt issued no fundamental decrees under the blanket authority conferred upon him by Congress and gave no definite clues to the measures and policies to be laid before the coming session—on the assumption, no doubt, that many things could happen before the opening day. Such gestures as he made to the Left were countered by gestures to the Right. On the whole it was a month of counseling and advising and waiting.

The consultative character of the administration was re-emphasized, moreover, by the addition of two new "advisory" committees to the old tangle of boards and commissions. The first was attached to the Committee on Economic Security already engaged on a legislative program. It consisted of Frank P. Graham, president of the University of North Carolina; Paul Kellogg, Josephine Roche, Grace Abbott and other social workers and social philosophers, representatives of trade unionism of the orthodox type, and business leaders, such as Gerard Swope, Sam Lewisohn and Walter R. Teagle. The second new committee, named by Secretary Perkins about the same time, was an advisory medical committee charged with assisting the Committee on Economic Security in its study of the "economic problems arising out of illness in families of the low income group." In short, it seems that the Brain Trust has been enlarged to a kind of national cartel including outstanding social workers, business leaders, and spokesmen of organized labor. Nearly every one in the country regarded as competent to advise the administration or make trouble for it appears to have been drawn into the maelstrom of talking and planning in Washington. What will emerge from this multiplicity of counsels before Congress calls for specific recommendations when it assembles in January is among the veiled mysteries of the hour.

Nevertheless, there was a little lifting of the mist after the November election. The National Association of Manufacturers, it is true, renewed its old stand at its December meeting. It demanded a balanced budget, a return to the gold standard, a general sales tax, abolition of government competition with industry, a relaxing of government control over economy, freedom of contract in labor relations, private control over banking, securities and credit, and the relief of distress by measures in keeping with such a program. But there was a noteworthy rapprochement between the administration on the one side and business and banking on the other. The

election made it clear to many leaders in business enterprise that they had nothing to hope from Republican opposition and direction, and that they had to reckon with President Roosevelt whether they liked him or not. Evidently cries of "regimentation" and "back to the Constitution" had failed to rally a majority of voters against the recovery program and offered no guidance to men who take a practical view of the problem of running the country.

The new orientation appeared when the board of directors of the United States Chamber of Commerce held its first meeting after the election, on Nov. 16. It was then made known that a "liberal" group in the board was working for cooperation with President Roosevelt, to the end that he might be placed "in a more secure position to deal with the left wing of Congress." Leaders in this liberal movement in the Chamber of Commerce urged that the election had "demonstrated the probability that business would have to deal with the present administration for the next six years," and called upon their organization to adopt "a more friendly attitude toward the administration." Such assistance, however, was not to be without price.

In due course the strategy of the "liberals" on the Chamber's board of directors was revealed. It included two major operations. The first was a series of conferences between business executives and the President. Day after day the press announced the appearance of distinguished men of affairs at the White House—Lewis Brown of the Johns-Manville Corporation and Howard Heinz of the H. J. Heinz Company, for example. Meantime, according to persistent rumors and reports in financial columns, Raymond Moley was "rounding up" financial and industrial leaders for cooperation with the government. The second element of the strategy adopted by the "liberals" in the Chamber of Commerce was a drive to split the administration itself by supporting one wing of the President's official family and undermining the other. The "conservative" wing was supposed to include Secretaries Hull, Morgenthau and Roper, Jesse Jones of RFC, James A. Moffett, Housing Administrator; Donald Richberg of the NRA and National Emergency Council; Senator Joseph Robinson and Raymond Moley. On the other side, the "radicals" were slated: Secretary Ickes, Secretary Perkins, Harry L. Hopkins, Relief Administrator, and Rexford G. Tugwell.

Through the news of November and December the meaning of this line-up in the strategy of the Chamber of Commerce became more and more apparent. The "conservatives" in the administration were in favor of curtailing Federal expenditures, slowing down outlays likely to compete with profitable business activities, accepting the New Deal as closed, leaving the burden of recovery and employment to business, and stopping further tinkering with the currency. The "radicals" in the administration, on the other hand, represented more Federal spending, increasing debts and taxes, new public works projects, additional relief devices, public housing schemes for the benefit of low-paid workers unable to rent decent shelter from ordinary landlords and an extension of social insurance over wide areas of poverty and misfortune, including medical treatment as a public service.

Besides being marked for their ideas, the "radicals" were ranked among the most outspoken and active personalities in the administration. For this classification there was also

continuing warrant. Harry L. Hopkins had acquired the habit of puncturing roseate views of returning prosperity by making periodical announcements in merciless statistics showing the number of unemployed and families on relief. It was his fashion to mince no words. When Senator Borah charged the Relief Administration with wasting millions of dollars, especially for political "overhead," Mr. Hopkins welcomed an investigation and came back with more figures on the number looking to the Federal Government for defense against hunger and cold. If criticized for feeding the families of strikers, he retorted that "hunger was not debatable." When real estate interests assailed Secretary Ickes for competing with landlords and private builders, he responded by pointing to miserable housing conditions in the country and by declaring that millions of workers low in the wage scale simply could not pay rents large enough to cover the customary charges of property owners. When President Roosevelt's address on security was interpreted to mean that he had whittled his social program down to a very modest form of unemployment insurance, Secretary Perkins replied that she placed no such narrow interpretation on his policies. In such circumstances, there was good reason for putting these three officials among the probable disturbers of the contemplated truce between business and the government.

In the alignment for the proposed truce one branch of business occupied an anomolous position, namely, the public utility interests. Whether the United States Chamber of Commerce could carry them along in its program of cooperation with the Roosevelt administration remained uncertain. They had long been under fire—in the courts, in the Insull case at Chicago and in the Federal Trade Commission. Although Insull and his colleagues were declared not guilty, amid a burst of tears and laughter, utility interests in general could find little consolation in that outcome. Insull was innocent in the eyes of the law but investors had lost millions under his system of management, finance and accounting. Moreover, about the same time Frank P. Walsh, chairman of the New York Power Authority, released a report, based on elaborate studies, purporting to show that the rates of utility concerns could be substantially lowered and yet leave them a 6 per cent profit "on all useful fixed capital and provide for an additional 5½ per cent on such capital in depreciation and taxes." Shorty afterward, the Federal Trade Commission began issuing the final summaries of its long inquiries into the propaganda methods of the utilities, especially those of the National Electric Light Association.

Even worse from the standpoint of the utilities were the Federal Government's practical operations. It was constructing new plants of its own in the Tennessee Valley, at Grand Coulee and at Bonneville. It was lending money to municipalities and thus permitting them to build public plants or to drive down private rates by threats. Beyond all these things loomed the possibilities of the St. Lawrence waterway. From the White House came no signs of retreat, and Secretary Ickes kept grinding away on PWA loans to cities.

Alarmed by these developments and assuming, perhaps rightly, that the revelations of the Federal Trade Commission would be quickly forgotten, the Edison Institute, successor in interest to the National Electric Light Association, launched late in November a determined attack on the ad-

ministration's utility program. It assailed public competition with private enterprise, especially the "yardsticks" sanctioned by President Roosevelt for measuring the costs of producing and distributing electricity. It particularly criticized PWA loans to municipalities for developing additional competition. This was evidently a sore point, for, if an agency of the Federal Government could force rates down by threats of loans to local authorities, the tedious and expensive methods of court litigation could be dispensed with in a new frontal assault on utility valuations, rates and practices.

Besides giving attention to the economic aspects of the utility business, the Edison Institute announced that it would seek effective protection against government intervention by resorting to the Constitution of the United States. In this connection it reported that it had secured expert opinions on the subject from two great constitutional lawyers—Newton D. Baker and James M. Beck—and that according to these distinguished specialists the Roosevelt administration's utility program was unconstitutional.

On his part President Roosevelt refused to allow the intrusion of the Edison Institute into public affairs to interfere with friendly greetings to the overtures from "liberals" in the Chamber of Commerce. He expressed a desire to see private industry relieve the government of unemployment burdens and welcomed the counsels of business leaders. He gave them substantial encouragement by instructing the HOLC to stop lending money on mortgages after exhausting the grant of $3,000,000,000 and announced that no additional grants would be requested from Congress. He also gave cheer to exporters and importers by relaxing some restraints on the export of currency. These acts seemed to imply that the government intended to withdraw from the business of mortgage financing, restore bankers to their old primacy in that sphere and break down "barriers" to foreign trade—the great hope of a certain school of economists.

Yet the President did not go entirely over to the side of the "conservatives" in his official family and their "liberal" supporters in the Chamber of Commerce. He seemed to say: "I should be happy if private business could take the unemployed off our hands, but how can I be sure that it can and will if I accept its program?" He might have need for his "radicals" after all. In any event, he invited Senator La Follette to the White House for lunch and allowed him to depart as happy as Upton Sinclair from his interview last Autumn. Almost at the same moment he appointed as Governor of the Federal Reserve Board Marriner S. Eccles, who had been called by an expert in American politics "the most liberal-minded banker in America." Certainly Mr. Eccles had said strong things about the failures of capitalism and had agreed with Mr. Ickes and Mr. Hopkins on the desirability of extending public works and public relief.

While President Roosevelt was keeping his balance in the "truce between business and the administration," one of the "radicals" marked for elimination, Mr. Hopkins, announced to the press his determination to extend the productive operations already carried on by the unemployed in FERA shops. Such operations included the manufacture of shoes, clothing, bedding, lumber, brick, leather and other commodities by the unemployed for their own use. The extension proposed by Mr. Hopkins was designed to reduce the

amount poured out for relief, to give work to thousands sinking into moral decay through enforced idleness, and to create a new demand for raw materials. Obviously it was a form of competition with private business. It threatened to curtail the relief funds on which local merchants relied heavily. And it savored of Upton Sinclair's EPIC plan for California, which had awakened a kind of hysteria in conservative circles. So considered, Mr. Hopkins's plan looked like an attack on "sound business practices" and afforded one more reason to private enterprise for attempting to put him out of the administrative picture.

Undismayed by criticism of his policies, Mr. Hopkins broke into first page news late in November with a new project for attacking unemployment. This scheme included the creation of a Federal Relief Works Corporation with $8,000,000,000 or $9,000,000,000 to serve as a revolving fund. It contemplated a speedy return of the "unemployable" to State and local authorities, a unification of recovery agencies, an extension of subsistence homestead operations on a large scale, and the construction of houses for "the accommodation of wage-workers unable to afford rents in commercially produced houses." In substance, Mr. Hopkins's program was based on the assumption that private industry could not provide employment for millions now idle and that fundamental changes in American economy could not be avoided. The publication of this project was regarded as a "bombshell" in the camp of private enterprise, and even as a challenge to Secretary Ickes, who was advocating on his own part a huge housing program financed by Federal funds at a low rate of interest.

In commenting on it President Roosevelt said that he had "determined upon a policy of Federal help to those whose financial condition made it impossible to build their own homes." This partial committal was treated as a verdict in favor of Mr. Moffett's plan for avoiding competition with private interests in the field of housing construction. But at the same time the President let it be known that specifications for Congressional consideration had not yet been settled.

Uncertainty as to the direction of the wind was likewise revealed by a "straw poll" of the new Congress, taken by The Associated Press in November. There was a clear majority for NRA (revised), PWA expansion, old age pensions and the New Deal in general. There was a majority against an immediate balancing of the budget. On AAA relief extension, Section 7a, the cash bonus, the thirty-hour week and unemployment insurance the majority was either opposed or non-committal. Indeed the proportion of members registered as non-committal was strikingly large on every issue except that of the New Deal in general. Assuming that this poll is fairly representative, then the trajectory of the coming Congress cannot be plotted now. Should business continue to limp along at the present level of performance without any drastic turn downward, it is probable that positive decisions on all the issues set by the United States Chamber of Commerce will be postponed. An upward shoot in business would doubtless settle most of them automatically.

The prospects for a "full economic recovery" through stabilization of the New Deal along the lines proposed by the "liberals" in the United States Chamber of Commerce were far from encouraging. Statistical studies indi-

cated that a restoration of productive output to the level of 1929 would still leave 3,000,000 or 4,000,000 workers unemployed, and President Roosevelt declared publicly on Sept. 30 that he could not accept any such conception of economy. The idea of millions permanently unemployed and subsisting on doles of some type, he asserted, was utterly repugnant to him. Thus stabilization of industry and agriculture at a low level of performance as contemplated by the "truce" between the government and business encountered an immediate contradiction.

At this point news from Washington reported a revival in certain circles of the idea of starting industry full tilt by a government guarantee of sales, if not profits. When NRA was originally on the carpet, sponsors of such a theory opposed the curtailment of production as contemplated by the act and demanded then another type of government intervention calculated to release the productive powers of industry instead of balancing and curtailing them. These sponsors in Congress, in the administration and among economists reappeared on the scene in November and advocated a new course for NRA. They contended that, if industry were started at a high tempo on a government guarantee, the goods produced and the wages paid would immediately stimulate the circulation of wealth and make the costs to the Federal Government far lower than the costs of "priming the pump" through expensive public works projects.

At all events the idea of adjusting production to the present low level of effective buying power, as contemplated by the stabilization of the New Deal, has critics and opponents in business and in the administration. There are evidences that it will be sharply challenged in the coming Congress and, if the present set-up of NRA is the whole program, then conservatives will be laid open to wholesale attack.

In the field of foreign commerce, so continuously neglected in previous projects for recovery, appeared a conflict as deep as that raging in the sphere of unemployment relief. It, too, was represented in the divided administration. On the one side Secretary Hull has pursued a policy based on the assumption that quotas, licenses, high tariffs, bounties and a managed foreign trade in general are temporary aberrations due to obscure causes which may be removed. He has operated on the theory that a lowering of "trade barriers" would find enlarged outlets for the so-called "surpluses" of American industry and agriculture and has sought to break through legal barriers by extending trade agreements under the Reciprocal Tariff Act. His position was strengthened in November by the report of the unofficial Commission of Inquiry into National Policy in International Economic Relations, released late in November. Although an independent body, its research director, Alvin H. Hansen, had been transferred to the State Department and its chairman, Robert M. Hutchins, was scheduled for an important post in President Roosevelt's official family. Thus an old hope was re-emphasized: One way to prosperity, perhaps the best, lies in "lowering trade barriers" and "promoting" foreign trade.

While the State Department has been operating, more or less, on this philosophy of economy, George N. Peek, in charge of Export-Import Bank business, has been proceeding on another assumption. He has accepted quotas, licenses, tariffs, prohibitions and managed trade as some-

thing real and permanent, rather than as transitory "aberrations." He has been urging a recognition of these brutal facts and the deliberate adoption of a policy of trade promotion and adjustment based on the theory of managed trade. Although he has made little practical headway with projects for government loans as a means of pushing American goods through the barriers of the various national economies, he has kept pressing his program upon the administration and the public, to the evident displeasure of the State Department. Whatever may be the outcome, here is another contradiction in the system of the New Deal, which cannot be glossed over by mere geniality and phraseology.

In November President Roosevelt handed a consolation prize to Secretary Hull and his school by a blanket order authorizing transactions in foreign exchange, transfers of credits and exports of currency, other than gold certificates, but including silver coins. This was hailed as marking the beginning of a return to "normal" international exchange conditions and was treated as a concession to business in the arrangement of the "truce." But apart from the conveniences assured to the export-import business, the decree made little appreciable difference in the inflow and outflow of goods. At the same time efforts were continued to make a debt adjustment with Soviet Russia which might allow some scope for Mr. Peek's projects for financing foreign trade.

In respect of judicial actions a few items are to be reported. In November the litigation division of NRA announced that between Sept. 15 and Nov. 1 it had won all except six of its seventy-six cases before the courts. Its confidence was not marred by the fact that in several instances Federal district judges had held large sections of the recovery program unconstitutional. Although the Supreme Court did not speak on any of the major issues, it confirmed, in the New York milk control suit, principles already laid down in the Minnesota moratorium and New York milk cases. Speaking for the court, Justice Cardozo assumed that the police power was wide enough to cover the designation of minimum prices in the milk industry, affected with "public interest," and declared that the Fourteenth Amendment did not protect a business against the hazards of competition. Justice Sutherland concurred in the ruling of the court. Meanwhile lawyers all over the country have been writing learned articles showing how and why judicial opinion must go one way or another, thus aiding the printing industry at least.

Touching that part of the recovery program which bears upon organized labor, there were few arresting incidents during the month. Several local disputes occurred, but no strikes comparable to the conflicts in the shipping and textile industries last Summer and Autumn marred the "truce" on the labor front. A strike against the A. & P. Company in Cleveland led to Federal intervention and an adjustment which left many questions to arbitration. The appointment of Francis Biddle as head of the National Labor Relations Board, in the place of Mr. Garrison, was taken as a guarantee that the liberal view would prevail and that vigorous efforts would be made to "put teeth" into Section 7a of NIRA, providing for collective bargaining. This interpretation of the event was supported later by an announcement of the Attorney General, Mr. Cummings, that the Houde case (December CURRENT HISTORY, page

339) would be pressed in the courts. Yet news arising in labor circles indicated that trade unionists were deeply dissatisfied with the outcome of Section 7a and were preparing to call upon Congress for a definition and strengthening of the provision, with a likelihood of finding a favorable majority in that body.

Perhaps it was a significant sign of growing labor pressure that the Supreme Court of the United States yielded to a request of counsel for a preliminary inquiry into the celebrated case of Tom Mooney, long imprisoned in California.

In State and local affairs few events of national implication emerged. News confirmed the adoption of a constitutional amendment in Nebraska abolishing the bicameral Legislature of that State and substituting a single chamber. (See Lane W. Lancaster's article on page 434 of this magazine.) Several measures authorizing public ownership and operation of utility plants were carried at the polls, while on a smaller number the vote was adverse. Under the whip of Senator Huey Long, the Legislature of Louisiana passed a series of drastic bills centralizing State and local administrations and vesting control over public affairs still more firmly in the hands of his political organization. Unusual ferment attended preparations for the sessions of State Legislatures to open after the new year, especially as it was evident that Congress might call upon them to cooperate in provisions for a national scheme of social insurance. Through NRA, AAA, FERA and PWA, and the financing of home-owners and farmers, Federal penetration of State and local jurisdictions has been proceeding at a rapid rate, creating a legal configuration far different from that contemplated by the original Constitution. Legal theories, as well as economic philosophies, have been thrown trustfully into the crucible of experimentation.

That the Republican party as an organization would exercise any considerable influence on the course of events in the immediate future was made dubious by the final election returns and a fierce dispute among the faithful over the causes of the breakdown. The retirement of Senators Reed, Fess, Wolcott and Robinson to private life, the discomfiture of the "stalwarts" in New York and Connecticut, and the defeat of Fred A. Britten in Illinois discouraged gentlemen inclined to carry on the tradition of Quay, Hanna, Aldrich, Penrose, Harding and Coolidge. A return to the state of affairs existing in 1924 or any other date seemed out of the question. A fight could not be made for the old gold standard. The Roosevelt administration had not threatened the protective tariff, had indeed raised it by various measures, including inflation.

With Senators Norris, Cutting, Borah, Frazier and Nye in the saddle, Republican leadership in Washington was to the left, rather than the right, of the position as yet disclosed by President Roosevelt; but efforts to force the resignation of Henry P. Fletcher from the chairmanship of the Republican National Committee brought resistance, not acquiescence. No signs of surrender to the "progressive wing" appeared on the political horizon. The conservative wing evidently preferred to stand fast and wait for an accumulation of errors on the part of the Roosevelt administration which will give power to the old slogan, "Turn the rascals out." For this faith there was in fact a firm foundation in American history and it certainly was widely cherished.

Canadian-American Relations

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CONVERSATIONS with a view to adoption of the St. Lawrence Waterway Treaty and of a Canadian-American trade pact have apparently been held at Ottawa. Such at least is the conclusion drawn from the recent visit of W. D. Phillips, American Under-Secretary of State and former American Minister to the Dominion.

President Roosevelt has let it be known at his press conferences that after diplomatic negotiations for minor changes through the Canadian Minister at Washington he will resubmit the St. Lawrence Treaty to Congress. His electoral successes and the recent startling report of the New York Power Authority, which used estimated St. Lawrence power rates as a yardstick, were believed to assure passage of the treaty. Action must be taken before July 11, 1935.

Canadian opinion is so hesitant that informed observers doubted whether Parliament will approve the waterway treaty unless it is baited with a tempting commercial agreement. Quebec and the Maritime Provinces have consistently opposed the treaty, while Ontario and most of the Prairie Provinces have supported it. The estimated cost to Canada, even with allowance for work done on the Welland Canal, amounts to about $125,000,000, of which Ontario is to pay $67,000,000 for navigation aids and $36,000,000 for power installation.

It was therefore a severe blow to hopes of Canadian acquiescence when the new Liberal Prime Minister of Ontario, M. F. Hepburn, said that he was opposed to the project at the present time because his government was pledged to economy and also because Ontario had all the electric power it could use. Premier Bennett announced that he would consult Ontario's wishes before replying to President Roosevelt. Meanwhile, in Quebec there was extensive public discussion of a scheme for linking the Ottawa, the Quebec part of the St. Lawrence, and four other rivers in an electrical development that would still further discourage Canadian interest in harnessing the upper St. Lawrence.

Almost no details of the commercial negotiations leaked out. Canada wanted the barriers let down to her grain, cattle, dairy products, lumber, fish and copper. There seemed to be some hope for cattle and lumber, but for little else. Though reciprocal concessions would be hampered by the Ottawa agreements, it was expected that some arrangement could be made regarding American coal, iron, steel and semi-manufactured goods.

MR. STEVENS'S CRUSADE

Since H. H. Stevens was ousted from the Canadian Cabinet and the chairmanship of the Royal Commission on Business Practices, he has spoken more freely than ever. At the meetings of the commission he has eagerly extracted information that might serve as ammunition in his crusade for social justice. He has increased his popular support by addresses before churches and mercan-

tile associations on the text, "Until we have the consciousness in the hearts and minds of the people that they cannot tolerate such conditions, our laws will be of no avail." He has attacked low wages and low producers' returns, high interest rates and overcapitalization, and has urged a $1,000,000,000 semi-public building program.

C. H. Cahan, Secretary of State and Mr. Stevens's principal opponent in the Cabinet, publicly entered the lists against him with a speech on Nov. 26. He reminded Canadians that the distribution of powers between Dominion and Provincial governments made many of the demands for reform impossible and that revision of the Constitution was notoriously difficult and slow. Mr. Stevens replied four days later, asserting that lawyers like Mr. Cahan had hitherto evaded responsibility by such arguments. The public, he declared, demanded action, and reforms were possible if the Federal Government had the courage to use its full constitutional powers.

What is Mr. Stevens's political future? He has claimed that both Conservatives and Liberals oppose him, and yet there are no signs of his allying himself with the Socialists of the Cooperative Commonwealth Federation. His public support has come from all those anxious to embarrass the present Conservative government and in particular from labor and the "forgotten man" in small business.

CANADIAN BUSINESS

The usual Autumn rush of shipping in the St. Lawrence was marked by the apparent anomaly of incoming cargoes of ry , oats, barley, corn, flour, linseed and pulpwood. One-fifth as much grain, it was estimated, was imported as was exported, and Canadians who vaguely knew that Canadian flour was usually cheaper in London than in Montreal were shocked to learn that the British could undersell Canadian millers in Toronto.

Drought and the renewal of distilling in the United States were partly responsible, for most incoming cargoes merely passed through Canadian waterways. Yet the international wheat war was also a factor. Subsidized exports of French and Argentinian soft wheat, the complete collapse of the international crop limitation and export quota schemes and the natural willingness of British millers to buy in the cheapest market seriously threatened to break down the prices of Canadian hard and durum wheats or at least to stifle exports if the government pegged the price too high. During November the margin of safety seemed to be narrow but sufficient.

Winnipeg prices kept just above the "pegs" and exports remained at about the 1933 level. This was achieved, however, only because temporary deficiency in the United States made it possible for Canada to surmount the tariff barriers with low quality feed wheat and durums for high-gluten flour. J. I. McFarland, the Federal wheat agent, went to Washington at the end of the month to try to arrange a still larger movement.

But the outlook was discouraging. Though exports during the crop year to Dec. 1 were 60,000,000 bushels, as compared with 59,000,000 in 1933, they were well below the past five and ten year averages. Moreover, the visible supply was 5 per cent above that of 1933. Finally, international wheat controls crumbled at the Budapest conference in November.

Yet there were some rays of hope. A general grain shortage meant that low quality wheat could be sold for feed. Arrangements had been per-

fected under the Ottawa agreements whereby twice as much Canadian wheat as in 1933 was passing through the United States to serve as cheap bulk cargo in the Atlantic ports.

November, on the other hand, saw a real improvement in the vast paper industry. Resolute action by Prime Minister L. A. Taschereau of Quebec, supported by Premier Hepburn of Ontario and the Dominion Prime Minister, brought about in both Eastern and Western Canada and the United States a concerted rise from $40 to $42.50 a ton for paper during the first half of 1935, to be followed by another $2.50 rise during the second half.

But here again an important element in the Canadian economy was threatened. Canada and the United States, because of natural interdependence in raw material, power and investment, are now practically a unit in the pulp and paper industry. The financial stake is so large that it has been assumed that neither country would venture to disturb the situation. Individual American and Canadian pulp mills, however, have been buying cargoes of Russian and Baltic pulp logs delivered by water because they were cheaper than the North American product. In addition, there has been a slow, but enthusiastic and serious, movement in the United States to utilize Southern pine for pulp and paper as well as for turpentine and pitch. Much encouragement has been derived from the United States forest survey of Southern resources during 1934, and from the claim that paper can be made in Georgia for 70 per cent of the cost in Canada.

General economic conditions in Canada have continued to improve. Thus employment, having reversed the usual downward Autumn trend, was almost at the 1926 level, although unemployment relief remained the country's greatest single problem. A Dominion Act for contributory unemployment insurance was drafted for submission to Parliament early in 1935, but its probable cost (about $75,000,000 a year) was discouraging. Foreign trade has risen steadily; exports for October were 12 per cent, and imports 15 per cent, above 1933. During the seven months ended October, 1934, total exports as compared with 1933 increased 18 per cent, to Empire countries 36 per cent, to Great Britain 34 per cent and to the United States 11 per cent. But total imports increased 29 per cent, from Empire countries 18 per cent, from Great Britain 14 per cent and from the United States 38 per cent. Such results had not been expected from the Ottawa agreements and the depreciation of the American dollar below parity with the Canadian.

CANADA AS AN AIRWAY

Canada has recently become increasingly aware of her importance in air communications. Lieutenant C. P. T. Ulm was dispatched from England to test the possibilities of air communication between Canada and Australia and made an apparently fatal attempt to fly the Pacific early in December. Another discussion of North Atlantic possibilities took place in London during November between Pan American and Imperial Airways in which experts from Denmark, Iceland, Greenland and the Azores were consulted. Newfoundland and Canada are interested in the plans for the Anglo-American northern route and the Azores and Bermuda in the southern. At present Canadian unemployed are engaged in completing the groundwork for airports and emergency landing fields as part of the British Imperial scheme for air communications.

Mexico's New President

By Hubert Herring*

The great stadium of Mexico City was packed on Nov. 30 for the inauguration of the new Mexican President, Lázaro Cárdenas. The Senators and Deputies were there, a swarthy, well-fed cross-section of Mexico's ruling mestizo middle class; the army officers, as handsome and well-belted a lot as any country boasts; the diplomatic corps, unhappily stripped by Presidential request of the decorations that diplomats love; and all about in the tiers of that stadium built to encourage football and to cure Mexico of her love for less lovely bullfights were some 50,000 humbler citizens of that somewhat Spanish but more Indian land.

It was a scene splashed with color, gold braid, flags, and all about the zerape-clad Indians from villages near and far; the formal grays and blues of Toluca and Texcoco; the shouting reds of Oaxaca; the white garb of the workers in the fields of Morelos. There were bands and much music; confetti and whirling planes; shouts and laughter. Mexico was happier this inauguration day than she has been since 1924, when another great crowd assembled in this same stadium to welcome Plutarco Elias Calles. Not since then has Mexico welcomed a President regularly elected to a full term. None of the three men who had served since Calles stepped down—Portes Gil, Ortiz Rubio and Abelardo Rodriguez—has been viewed as other than a stopgap incumbent. Lázaro Cárdenas is thought of as a man of new calibre, and the enthusiasm for him is widespread and hearty.

In the background stands Plutarco Elias Calles. He professes to be out of the picture, but every one knows that he rules the Partido Nacional Revolucionario, his own ingenious political device which is not quite a party, nor particularly national, and only fitfully revolutionary. Calles rules the PNR, and the PNR rules Mexico—at least that has been the fashion of recent years. Men close to Calles swear that the grizzled and powerful chief of the revolution is eager to step clear from politics; that he would have left the country to any one of the three men whom he has raised to power since 1928 if they had proved strong enough for the task; that he picked Lázaro Cárdenas because he believes him to be the man who can rule Mexico for Mexico's good; and that Calles will now retire in sober earnest.

Lázaro Cárdenas captures and retains liking and respect. Young, clean-cut, straightforward, he has worked hard, held important posts in the army and in civilian life, and at 39 is still a poor man. His reputation for scrupulous honesty and unflagging public service is unchallenged. He won that reputation fifteen years ago when he received a "political loan" of 20,000

*We regret that increasing pressure of academic and other duties has compelled both Professor Charles W. Hackett, who is engaged in Latin-American historical research, and Professor Henry Grattan Doyle, who has become managing editor of the *Modern Language Journal*, to give up their monthly surveys of Latin-American affairs for this magazine. Mr. Herring, who now takes over this work, is director of the Committee on Cultural Relations with Latin America.

pesos from the merchants of Vera Cruz in order to help Obregon and Calles—and he paid it back, a most uncommon performance. Mexico is glad to have a President whose past record promises future integrity.

Calles put Cárdenas in Chapultepec that he might give substance to the Six-Year Plan—Mexico's New Deal. Cárdenas is rated a radical. On the face of it, he appears more radical than Calles. Calles practically abandoned the agrarian program, which was the centre of his political faith, but Cárdenas vows that the task of distributing land to the landless millions will be resumed with new vigor. The promise of land, a promise in part fulfilled, has been the unceasing motif in the appeal of the "Revolution" to the submerged masses.

The land distribution of the past fourteen years has not proved conspicuously successful. The administration of the law has broken down at many points, and unscrupulous politicians have blossomed forth as great ranch owners. The Indian, untrained for responsibility by long years of peonage, often proves but an indifferent landlord when given his chance. Less than 10 per cent of Mexico's land is now in use. There is still a substantial margin of cultivable land—about 3 per cent of the total area—ready for distribution and exploitation. There are great estates—owned by Mexicans and by aliens—which may be divided among the Indians, either as individuals, or associated together in the old communal system, the *ejido*. Cárdenas may take up the fight that Calles abandoned, and resume the division of foreign-owned land.

President Cárdenas's Cabinet appointments bring several little known men to high position, and leave out several of the ablest and more conservative who have been prominent in Mexican counsels during recent years. The most significant appointment is that of Narciso Bassols as Minister of Finance. He is one of the hardest hitting, most fearless and most radical among the younger leaders of Mexico. Scrupulously honest, committed to the most thoroughgoing socialization of the schools, bitterly hated by the Church, he is nevertheless genuinely respected by many who oppose him most resolutely. His appointment by Cárdenas is generally interpreted as indicating the direction of the new régime.

Students of Mexico anxiously await the next moves on the Church issue. The struggle between the government and the Church grew steadily more tense during the Summer and Fall of 1934. On Oct. 30 this struggle came to a head when President Rodriguez instructed the Mexican Attorney General, Portes Gil, to take drastic measures against the higher clergy, who, he said, were plotting active and armed rebellion against the nation. President Rodriguez denounced the "subversive activities of the Catholic clergy" and referred to the Church as "the traditional foe" of the principles of the Mexican revolution. On Nov. 11 the Attorney General preferred specific charges against the Papal Apostolic Delegate and the Bishop of Huejutla.

The charges were based upon letters addressed to clergy in Mexico, and intercepted by the authorities. Among the statements credited to the Apostolic Delegate, and described by the Attorney General as "formal and direct invitation to commit the crime of rebellion" is this: "Any law which menaces our rights (religious rights, the education of our children, our lives and private property) is unjust and without validity." This action against men outside the jurisdiction of Mexi-

can courts was followed by less specific threats against the higher clergy within Mexico, but at the time of writing such action had not been taken.

The attitude of the Church leaders is explicit. They deplore the attempt to make the schools agencies for inculcating socialism; they believe the government intends to carry that socialism to a thoroughgoing atheism. They have been forced to accept the principle of national ownership of Church property and of the right of the government to limit the number of priests who serve in any area. This principle has been fitfully and unevenly applied. In some States there is only one priest for 100,000 communicants; in others local restrictions have forced the churches to close.

The clergy insist that in arousing opposition to the plain purposes of the government they exercise nothing more than their basic rights as free citizens under the democratic Constitution of Mexico; that they have the right, the duty to resist, and to persuade their people to resist laws which fly in the face of all the Church teaches. This is the position expounded by Archbishop Pascual Diaz, a full-blooded Indian citizen of Mexico, who has throughout the trying days of the past ten years striven for conciliation and peace. The opposition of the Catholics, he announced on Nov. 8, contains five principal points: (1) Opposition by all legal means to socialistic education; (2) withdrawal of children from schools where such education prevails; (3) instruction of loyal families as to their duty in such opposition; (4) warnings to teachers participating in such education that they risk excommunication; (5) warnings to heads of such schools against permitting such heresy.

A former member of the Mexican Cabinet said to me not long ago: "Mexico sorely needs the 'open-forum temper' which prevails in your country." That is the key to the understanding of the present religious impasse in Mexico. The official point of view occupies a sacrosanct position; debate upon it is dismissed as disloyalty, opposition as treason. It is a mental attitude quite alien to our national temper. But the Church question is on the President's doorstep. It will tend to divide Mexico at a time when the country sorely needs the united support of its intelligent and conscientious citizens.

THE CUBAN TURMOIL

The ways of violence, once learned, are not easily forgotten. Cuban nights are still punctuated by the bursting of bombs. Left-wing student groups and the ABC Radicals (an offshoot of the larger ABC) are credited with most of the trouble-making. During November such bombing was directed at members of the older régimes, and attacks were made upon the acting president of the University of Havana and upon the home of the American military attaché. In the eastern end of the island some 6,000 farmers, living upon lands of uncertain title, resisted the efforts of the federal authorities to conduct a survey, refused to pay any taxes and armed to protect their ill-defined rights. Troops were rushed to the scene, but after a few skirmishes a truce was arranged and the squatters—if such they be—were assured of an indefinite stay.

Cuba is in the throes of preparation for an election. The date, originally set for Dec. 30, has been postponed to March 3. President Mendieta, whose patriotism is unquestioned and who is capable of subordinating his personal ambitions, is making a determined effort to secure the cooperation of the leaders of all factions. General

Menocal, the Conservative leader, and Martinez Saenz, the leader of the ABC, both of whom are in the United States, have been urged to return and organize their respective forces in preparation for the election. The Liberal party, of which ex-President Machado was the head, has emerged and filed its credentials, greatly to the wrath of many Cubans. It is expected that both Ramón Grau San Martín, who was President from September, 1933, to January, 1934, and President Mendieta will appear on the list of nominees. A peaceful election might prove tonic to the lacerated feelings of Cuba.

General Gerardo Machado, pursued by resolute representatives of radical Cuban forces, settled in the Dominican Republic. Cuba demanded his extradition, and the redoubtable Dominican dictator, Trujillo, refused it. However, Machado decided to search out a safer climate and on Nov. 19 sailed for Europe, bound for Germany and Italy. After him are going other Cubans, sworn to revenge.

Paraguay Victorious in the Chaco

FORT BALLIVIAN, key to the control of the Pilcomayo River, fell to the Paraguayans on Nov. 17; 10,000 Bolivians were captured, substantial military stores seized and the disorganized remnants of the Bolivian Army scattered into Argentina and to the north. Ballivian was more than a fort; it was the symbol of Bolivia's impregnability. Bolivians boasted that it could not be taken, and the prestige of President Daniel Salamanca was linked with it. Its fall dealt a shattering blow to the Bolivian morale and set in motion the forces which made the resignation of Salamanca on Nov. 28 inevitable. So decisive was the victory at Ballivian that it seemed the war might soon end with Paraguay victorious.

The Chaco war, which has been waged for over two and a half years, settled down to a struggle on two fronts. In the northwest, the Paraguayans struck toward the rich oil fields of Bolivia, with Fort Picuiba as the base. The fighting during the first half of November, 1934, gave the advantage to the Bolivians. They forced the Paraguayan Army back 100 miles from the contested oil zone toward the Paraguay River. By Nov. 15 high hopes were entertained in La Paz that the Bolivian armies would be able to push on and gain a decisive hold upon that long-contested river with its access to the Atlantic.

In the southwest, the key point was Fort Ballivian. Here the Paraguayan forces scored repeated successes during November. Cañada El Carmen fell on Nov. 16, with 7,000 Bolivian prisoners; Ballivian fell on the 17th. Asunción was riotous with joy, and President Ayala was the hero of the hour.

The repercussions of defeat upon Bolivia were swift. A coup led by Vice President José Luis Tejada Sorzano ousted Dr. Daniel Salamanca from the Presidency on Nov. 28. It had been freely predicted for months that should Ballivian fall, Salamanca would go. He had been the centre of furious controversy between the two rival party chieftains, and a crushing military defeat ended his régime.

The Bolivian political situation is complicated by the Indian question. The Indians outnumber the whites in

Bolivia by five to one, and in recent years they have successfully demanded a much larger share in governmental affairs. Their spokesman has been former President Bautista Saavedra. His refusal to return from Chile and to accept the Ministry of Defense in the newly constituted government of Tejada Sorzano is interpreted as the ultimatum of the Indian leaders against the continuance of the old political order. A revolt of the Indians in Bolivia has been feared for some time, for, landless, illiterate, desperately poor, they are held in virtual peonage. The government has kept its armies manned by forcible drafts upon the Indian population. This helps to explain the poor morale of the Bolivian Army.

Paraguay, with less than half the population of Bolivia, has the advantage of a much more literate citizenry and a predominantly white stock living under a more representative and democratic government. The struggle resolved itself into one between a highly feudal State, Bolivia, in which an extremely small ruling class dominated the counsels of State and used the Indian population as pawns, and one of the more enlightened and democratic States, Paraguay, where a spirit of nationalism has developed.

The figures of participants and casualties in this suicidal war cannot convey with any adequacy the havoc wrought. For two and a half years the belligerents have struggled in the swamps and jungles of this peculiarly uninviting "Green Hell." The forces on each side have been kept at approximately 100,000 men, but an increasingly large proportion of the troops on both sides have been boys of 15 or 16 and men of 60. The wiping out of able-bodied men places a frightful handicap upon both nations for many years to come. The losses from gunfire are nearly equaled by the deaths from fever and from snake and insect bites.

The checkered record of peace-making in the Chaco continued its uncertain course during November, 1934. It has become increasingly clear that the willingness of Bolivia and Paraguay to accept the mediation of neighboring nations or of the League of Nations fluctuates with the varying fortunes of their arms. On Nov. 3 Paraguay announced a reversal of her previous decision and her willingness to send a delegate to the League's Chaco conciliation committee. This decision coincided with the announcement that Paraguay now held virtually all previously disputed territory.

The League, in the meantime, invited Brazil and the United States to join with it in a final effort to assure peace. But the United States, on Nov. 16, made it clear that, in spite of much concern for peace in the Chaco, it could not associate itself formally with the League in this fashion. The League's proposal, issued on Nov. 17, contemplated an immediate truce, the demilitarization of a 100-kilometer zone, the withdrawal of all troops under the supervision of a neutral commission and the submission of all claims to an all-American conference in Buenos Aires, or, if a satisfactory arrangement could not be reached there, adjudication by the World Court.

Paraguay, increasingly victorious, rejected this proposal on the same grounds as in previous instances. A truce, Paraguay argues, gives Bolivia a chance to reorganize her forces for a renewal of hostilities under more favorable military conditions. Paraguay rejected also the proposal to submit the issues to the World Court. Supporters of Bolivia cite this attitude to

prove that Paraguay has no legal claims that would stand impartial investigation. In the background of the dispute there are insistent questions as to Paraguay's ultimate objective. How far would Paraguay press the contest? Are the Bolivian oil fields the real objective? The available answers are all partisan. It is impossible to judge.

As this article is written the League of Nations committee hopefully presses its proposals, but the chances for peace by conciliation grow daily more dim. A victorious Paraguay is in no mood to settle; a politically chaotic Bolivia furnishes little hope for peaceful conversations.

SOUTH AMERICAN RECOVERY

There are definite indications that South America is recovering from the depression. These indications are economic and political, but the political reflect the economic. Politically, the signs of the times point toward a moving away from the dictatorships which rose to power in the train of the depression. Party rivalries are again becoming articulate, and candidates representing different parties are emerging. This is notably true in Chile and Argentina.

President Augustin P. Justo's government in Argentina nearly split in November over a purely local political issue, the significance of which arose from a difference of opinion between the parties represented in the coalition Cabinet. The difficulty was patched up easily enough, but the recognition of the necessity for compromise reflects a new mood in Argentine affairs. Parties must be reckoned with once more, and Justo's absolutism will be sharply contested. In Chile, the parties of the Centre which have supported and dominated the coalition supporting President Arturo Alessandri have moved over to the Left and announced their opposition to him.

President Gabriel Terra of Uruguay, whose hold has grown steadily more tenuous during the past twelve months, has now resorted to wholesale imprisonment of political opponents, rigid censorship, and drastic suppression of all radical expression. Uruguayans are a highly literate and proud people, and only the exigencies of the depression persuaded them to yield to Terra's high-handed methods. Private advices from Montevideo suggest that the opposition is gathering force daily and that the present régime cannot last much longer.

The Apristas in Peru, led by the brilliant and indefatigable Haya de la Torre, have been aroused by the continued postponement of elections and are taking the lead in organizing armed resistance to President Oscar Benavides. A weak but well-meaning man, he has not taken the violent course which characterized his predecessor, Sanchez Cerro. The strength of the Apristas has grown steadily, their leaders claiming the adherence of 80 per cent of the population. Disclaiming all desire to resort to violence in order to achieve their ends, the Apristas prefer to depend upon the decision of elections, if fairly conducted. Benavides's repeated postponement of those elections, which under the Constitution were due in June, 1934, has finally stirred the Apristas to action.

Economically, South American trade shows definite gains. Argentina's exports during the first three-quarters of 1934 were 28 per cent greater in value than in the corresponding nine months of 1933; Chile's exports showed a gain of 5 per cent for the same period; figures for Brazil are not available, but early reports promise substantial gains. H. H.

Britain's Home Rule Plan for India

By RALPH THOMPSON

LATE in November London rang with the sound of bells. Crowds so jammed the streets about Westminster Abbey that hundreds were injured in the crush. Grave delegations of foreign notables arrived from overseas—kings, princes, dukes, ambassadors. The sensational press indulged in a veritable orgy of photographs and bold-face type, and makers of trousseaux found themselves suddenly elevated to positions of public importance.

The excitement arose from the fact that Prince George, son of the British King, was about to be married to Princess Marina of Greece. On Nov. 7 the Prince, as Duke of Kent, had been with solemn ceremonial sworn in as a member of the House of Lords, and on Nov. 29 he became the husband of the personable young lady whom the London *Daily Worker* inconsiderately described as "the daughter of an unemployed Greek."

If, as a whole, the vast population of the British Empire rejoiced with the House of Windsor at this auspicious time, a few countenances nevertheless remained glum. Because of old grievances the citizens of the Irish Free State were officially unrepresented at the ceremony, and Dublin crowds later flocked to moving picture theatres to hiss the news-reels of the event and to spar with loyalists in the theatre lobbies. In far-off India there was antipathy of another and more ominous sort. The profuse splendors of a royal wedding were no solace for Indian patriots in their disappointment over the recommendations of the India Joint Select Committee, made public in two bulky volumes on Nov. 21.

The Joint Select Committee of thirty-one members, chosen from both houses of Parliament to revise the White Paper submitted by the government in March, 1933, included three ex-Viceroys, two recent Governors of Provinces, three former Secretaries of State and three former Under-Secretaries of State for India, four members of the Simon Commission and six members of the visiting committees appointed by the Round Table Conference. Its report was the result of long and earnest deliberation, the examination of scores of witnesses and the conning of all previous studies on the subject. For the first time the British Government had before it a completely outlined constitution for India.

The proposed constitution would establish eleven self-governing British Indian Provinces (two more than at present) and link them with the native States by means of a Federal Government having its seat at New Delhi. Burma would be omitted from the federation. Each of the Provinces would have an elected Legislative Assembly; five (Bengal, Bombay, Madras, the United Provinces and Bihar) would have also upper houses. The Federal Legislature would be bi-cameral, and would be composed of members indirectly elected by the Provinces and of representatives nominated by the native States.

Each Province would have a Minis-

try selected from its Legislature. The Ministers would in normal circumstances have the conduct of all Provincial affairs, including the much-debated "law and order." But over the Ministry is to be imposed, as at present, a British Governor with "special responsibilities." If circumstances warrant, the Governor may assume charge of any branch of the Provincial government; he may issue ordinances having the force of law and may override the Legislature on appropriation bills. In other words, only so long as the Provincial Ministry functions "satisfactorily" will it be autonomous.

A Governor General, advised by a Ministry, will exercise the supreme power and authority of the federation, the military command and control of foreign affairs. Like the Provincial Governors, the Governor General may if necessary take independent and overriding action for the achievement of certain specified purposes—for example, to prevent "measures legislative or administrative which would subject British goods imported into India from the United Kingdom to discriminatory or penal treatment."

The committee's proposals would increase the Provincial electorates from 7,000,000, including 315,000 women, to 29,000,000 men and 6,000,000 women—an increase from 3 to 14 per cent of the population. In all Assemblies, Provincial and Federal, a quota of seats would be assigned to the various minorities.

Before these recommendations are embodied into law they must be approved by the British Parliament and upon them that body will for the next six months or so spend the greater part of its time. The report was accompanied by draft alternatives and amendments prepared by minorities within the committee. In the dis senting plans of the Labor member and those of the so-called die-har Conservatives headed by Lord Salis bury may be seen the probable cours of attack from Left and Right.

The Labor members would enabl India to attain Dominion status with out recourse to further acts of Par liament. They deplore the creation o upper houses in certain Provincia Legislatures and at New Delhi a adding to the power of the propertie classes. They would not reserve t the Governor General special finan cial responsibilities and would gran India full authority over her externa affairs except as regards the relation ship of the Crown to the nativ States. They believe defense matter should be transferred to Indian Min isters within a specified time, an would not limit in any manner th control by Provincial Ministers of th forces of law and order. Eventua adult suffrage, they believe, shoul be provided for in the constitution.

The Conservatives would for vari ous reasons not concede responsibl government in the Federal spher Instead, they propose a Council o Greater India made up of representa tives of every Province and State. Th Viceroy would turn to this body fo advice on all issues affecting India a a whole.

A possible barrier to the establish ment of the plans recommended b the committee is the attitude of th native States, of which there are nea ly 600. Some enjoy what amounts t a democratic rule; others are virtu ally absolute monarchies. It is b lieved that the native States will a cept Federal control of certain su jects, but there are others upon whic the majority may well balk. Th federation will come into existenc only when the rulers representing a

least half the total population of the native States and entitled to at least half the seats to be allotted to them in the Federal upper house have signified their desire to join.

Nearly every commentator admitted at the outset the magnitude of the task assigned to the India Joint Select Committee in devising a government for a subcontinent crisscrossed by divergencies in race, religion, language and civilization. Indeed, no sober mind believed that with one sweeping and generous gesture could complete home rule be bestowed on India without endangering both British and Indian interests. On the other hand, many liberal British observers were disappointed that such vital "safeguards" were reserved to British rule, and many Indian moderates felt that the Indian people could have been given greater responsibility.

The central council of the Conservative party met in London on Dec. 4 to consider their attitude toward the committee's proposals. The die-hard element, led by Lord Salisbury, Winston Churchill and Sir Henry Page-Croft, failed completely in their protests; by an overwhelming vote the council endorsed the recommended reforms, and Stanley Baldwin won one of the greatest triumphs of his career. So far as Great Britain is concerned, therefore, the committee's plans are, with certain possible minor changes, sure to become law.

As for India, the first reactions were uniformly hostile. Hindu leaders could be only bitter toward a scheme built upon the White Paper and the communal award; there was much talk of the joint committee's "cynicism"; India, it was declared, was chained to Whitehall; and estrangement with London was termed complete. The Moslem press was glad to see the communal award retained but denounced indirect election to the Federal Legislature and the suggested ratio of Moslem representation. Congress newspapers advocated flat rejection; Moderates and Liberals were only slightly less antagonistic.

Gradually, however, Indian opinion showed signs of relenting. No alternative to the committee's proposals was available, and many began to declare that half a loaf was better than none. If certain Congress members held that even the existing government was better than that proposed in London, they were by no means backed in this stand by Hindus as a whole, much less by Moslems. Nor was the idea of "rejection" altogether realistic. For those opposed to the draft constitution an armed revolt against it was hardly feasible, and an attempt to thwart it by civil disobedience and boycott would profit no one. Most probably India will settle down to making the best of the new dispensation. After the turmoil of the past ten years almost any sort of stability should be welcome.

The British Government, moreover, will consult the government of India on the projected parliamentary bill. As Colonel Wedgwood said in the House of Commons on Nov. 21, it is inconceivable that the committee's scheme should be introduced against the wishes of an Indian Legislature. The recently elected Indian Assembly, incidentally, will contain a preponderance of Moderate opinion. Latest available election figures show that of the 105 contested seats the Congress party have won 46 and the Nationalists 8. Out of a house of 145, in which 40 are officially nominated, Congress and its allies will have not more than 55 seats.

NEW BRITISH LAWS

Anticipating a long and arduous Winter's work with the India bill, the

National government drove through Parliament before the end of the session on Nov. 16 two measures which roused no little public interest—and protest. One was the Incitement to Disaffection Bill, the other the Betting and Lotteries Act. Both became law on Nov. 16.

The former, the so-called Sedition Bill (a misnomer, according to indignant Cabinet Ministers), makes it a punishable offense, if intent can be shown, to have in one's possession or control any document that might incite to disloyalty the armed forces of the Crown. Among the many opponents of the bill was the Bishop of Birmingham, who declared that it made "active pacifism in the time of war a criminal offense." The government replied that so long as the armed protectors of liberty might with impunity be seduced from duty, liberty itself was in danger.

The Betting Bill, while prohibiting large-scale lotteries and forbidding newspapers to describe or advertise lottery processes, legalizes certain small lotteries. The Conservative amendment authorizing national lotteries as a means of reducing the national debt was not accepted, nor was the suggestion that football betting be controlled. From one point of view the measure protects the public from the abuses of large-scale gambling and minimizes the flow of British money to Irish sweepstakes. From another it is a series of "thou shalt nots" and an infringement upon personal liberties.

With the opening of the new session of Parliament on Nov. 20 the National government entered upon its fourth year of office. Prime Minister MacDonald the following day proposed that in view of the press of legislation, private members should forego their privilege of time and give government business the right of way. Despite much opposition, the Prime Minister's motion carried. The India Bill, the new housing measures, the Depressed Areas Bill, the Electricity Supply Bill and the Unemployment Assistance Regulations will therefore, in the words of Winston Churchill, who opposed the motion, be "rammed through."

AUSTRALIAN TRADE POLICY

Questions of foreign trade continue to occupy the Australian Government. In opening the Federal Parliament on Oct. 23, the Governor General reiterated the Ministry's intention to protect primary and secondary industries and at the same time to find trade outlets within or without the British Empire. No alteration in the duties on British cotton goods appeared likely at this writing, despite the complaints of Lancashire formally transmitted by London, but pending final decision the Commonwealth Government decided to extend to Dec. 31 the period in which the affected piece-goods and yarns might be imported free of duty. Another concession is likely: Australia may restrict her exports of beef to Great Britain in order to aid the British Government in raising beef prices there.

But on the whole, British-Australian trade relations remain unfriendly. Dr. Earle Page, Minister of Commerce, on Dec. 3 declared that unless Britain relaxed her protectionist policy the Commonwealth would be forced to retaliate. Australian trade with foreign countries, at the same time, is improving. Exports to Japan during the past fiscal year totaled $45,000,000, an increase of nearly one-quarter over the preceding period. A provisional commercial agreement with Belgium was announced at Canberra on Nov. 21.

NEW ZEALAND PARLIAMENT

Among the accomplishments of the New Zealand Parliament when the session ended on Nov. 10 was tariff revision in favor of Great Britain, a gesture which may be taken as good evidence of New Zealand's own recovery and of her faith in the Ottawa agreements. The budget presented by the Minister of Finance on Aug. 23 promised a small surplus as against the $3,500,000 deficit incurred in 1933-34, even with a partial restoration of cuts on public salaries and old-age pensions, as well as a reduction of the emergency unemployment tax from 5 to 4½ per cent. Foreign trade was also encouraging: for the first seven months of 1934 the favorable balance was three times greater than during the corresponding period of 1933.

Parliament passed the Electoral Bill, which extends the Parliamentary term from three years to four years; a Film Industry Act, which empowers the government to assure fair trading and prevent monopoly; and a measure reorganizing the Dairy Control Board and setting up a Council of Production and Trade to coordinate primary industries. Following the recommendations of a Royal Commission appointed in January, Parliament authorized an inquiry into the affairs of a group of investment companies.

SOUTH AFRICAN FUSION

The long struggle to unite the two leading political parties of the South African Union came to an end on Dec. 5 when a fusion was formally enacted by an enthusiastic meeting at Bloemfontein. The Nationalists led by General Hertzog and the South African party led by General Smuts settled all differences. Dr. Malan's Nationalists have sought to regain prestige by calling anew for a South African republic, but most people have chosen to listen to more moderate counsels. "I am done with a republic and republicanism," declared General Hertzog on Nov. 23.

As economic conditions continue to improve, the extreme nationalism of both Dr. Malan and Colonel Stallard loses its appeal to Afrikanders and British alike. South African foreign trade figures are rising; inland revenue is buoyant (the war debt to Great Britain was wiped out by a cash payment during the Summer); even agriculture is experiencing a revival, and mining has enjoyed a minor boom.

Across the Union boundary, in Southern Rhodesia, a similar political fusion has taken place. The Reform and Rhodesian parties agreed to unite under the leadership of Premier Huggins, and Labor and one faction of the Reform party became the Opposition. On Sept. 25 Parliament was dissolved and on Nov. 7 elections were held. Returns gave the United party a sweeping victory—twenty-four seats out of thirty. Labor won five seats and the Reform party one. A new Cabinet, headed by Mr. Huggins, was announced on Nov. 14.

In the territory of Southwest Africa, taken from Germany in 1915 and now administered by the Union of South Africa under mandate, elections held on Oct. 31 gave the United party a two-thirds majority in the Legislative Assembly. A few days earlier the Administrator had banned all Nazi organizations, and the United party, representing non-German inhabitants, found little formal opposition at the polls. The new Assembly on Nov. 29 passed a motion requesting that the territory be incorporated as the fifth Province of the South African Union. Meanwhile, the Union is urging on the British Government the transfer to its control of Basutoland, Bechuanaland and Swaziland.

Flandin Gives France New Hope

By E. FRANCIS BROWN

FRANCE in the weeks that followed the fall of the Doumergue Cabinet on Nov. 8, threw off the apprehensions of civil disorder and economic collapse that had gripped the republic for many months. It was only a lull, presumably, for there were no signs that France had yet sounded the depths of economic depression, nor that political passions had been more than momentarily curbed. But when the new Flandin Cabinet, in striking contrast to the nervous, half-secretive fumbling of the Doumergue government, displayed both vigor and straightforwardness, many Frenchmen thought they saw reason for a return of confidence.

Right Wing groups deplored Doumergue's exit from the scene, although it could hardly be contended that the Flandin Ministry was much less conservative than its predecessor. The personalities of the two Premiers, however, differ greatly. M. Doumergue is 71 years old and until called from retirement in February, 1934, was regarded as a statesman of a bygone era. After his first weeks in office, he showed an inability to act, with the result that both political and economic affairs more or less took their own course. The former Premier, moreover, was apparently won to a belief in the panacea of a strong central government. At least he neglected economic problems and agitated for constitutional reform so obstinately that public opinion began to turn against him.

Behind M. Doumergue were the great financial and industrial interests of France. Did they hope through him to set up something in the nature of a French Fascist State? The Left Wing groups came to believe so, and Edouard Herriot has charged that Doumergue contemplated a coup d'état.

While M. Flandin represents the same economic groups that supported Doumergue, as a man he is entirely different. Being only 45 years old, he belongs to the younger generation and in times like the present that can mean a good deal. M. Flandin believes that political reform is relatively unimportant, that what does matter is economic recovery which to his mind can be achieved regardless of a particular governmental structure. In any case, the new Premier has said little about political change and much about economics. He has moved rapidly and decisively, giving the impression of a statesman who knows what he wants and how he intends to obtain it.

The Cabinet was well received by the Chamber of Deputies if the majority of 423 to 118 given on Nov. 13 can be accepted at face value. Actually the government could hardly be expected to please the more radical Deputies, and during the debates on the Ministerial declaration, the deep gulf between the Right and Left groups in Parliament was repeatedly disclosed.

M. Flandin appealed for the continuance of the political truce, for peace at home and abroad. He insisted that

civil order be maintained and promised that constitutional reform would be considered after economic problems had been dealt with. The Premier in this first encounter with the Chamber reasserted the policy of deflation pursued by all recent French Governments. A "restricted economic régime has failed everywhere," he said. He offered in contrast a recovery program that would entail the reduction of the interest rate, stabilization of currencies, removal of barriers to foreign commerce and restoration of the purchasing power of the nation. A fortnight later, he told a group of French business men that his first concern would be with agriculture; then he would take up unemployment and public works.

"Our Christmas gift to poor children," said Premier Flandin in a radio address to the nation on Nov. 27, "will be cheaper bread." In this speech is outlined in general terms a program to "legalize and render obligatory, only for the duration of the depression and under certain guarantees in favor of consumers, producers' agreements tending to regulate production." Was France about to adopt some sort of NRA? Moreover, "severe regulation" of agriculture was being advocated by the Premier. Did this also signify a departure from French orthodox business principles? Whatever the Premier intends, his several speeches met with public approval; industrial shares rose on the Bourse and the quotations for government bonds improved.

While M. Flandin was outlining his government's program, the Chamber began discussion of the budget. Léon Baréty, *rapporteur* for the budget, stated that unless the economic situation definitely improved, there would be a deficit of 588,000,000 francs. The budget total of 47,500,000,000 francs is considerably under that of recent years, but many critics have declared that it is too heavy a burden for the nation to bear. Tax collections during 1934 fell steadily; customs receipts for the first nine months of the year were 5.8 per cent below the figure for 1933; the business turnover tax dropped 6 per cent; and the returns from the government monopolies for the third quarter of 1934 were 1,000,000,000 francs below the original estimates.

In view of the talk of constitutional reform, it was significant that the Deputies agreed to relinquish their time-honored right to introduce new appropriations into the budget bill. This action was expected to speed adoption of the budget.

The Chamber also had under consideration a bill for relief of the wheat farmers and wine growers. The government proposes to abolish the minimum price of wheat and to dispose of the existing surplus through export, State purchase and denaturing. Restriction of future wheat crops is provided for in the bill, as is also the lowering of the price of bread. The wine bill provides for large-scale distillation of poorer wines into alcohol and the restriction of future plantings.

These two bills and the budget reflected directly the French economic situation. (See Mr. Webb's article on page 419.) Except for a slight improvement in foreign trade during October, there was no cause for optimism in French business circles. Unemployment continued to rise; for the week ended Nov. 24, 369,435 persons were on the dole, an increase of 117,225 over the corresponding week in 1933. When we consider this figure it must be recalled that about 500,000 foreign workers have left France in the past two years and that the nature of French life effectively conceals the

real extent of unemployment. Industrial output has shown only a declining tendency. The Bank of France during the first three weeks of November lost 549,000,000 francs in gold, a small sum, of course, and yet one that could not be ignored at a time when the gold bloc seemed to be weakening.

Because of the French loss of foreign markets and the resulting depression at home, the government is seeking to stimulate trade between the mother country and the colonies. M. Flandin assured the National Economic Council on Nov. 30 that his Ministry would accept as a major task the development of trade with the far-flung colonial empire. Three days later the French Colonial Conference was opened in Paris. Louis Rollin, Minister of Colonies, told the delegates who had come from all the French possessions: "On the shores of the Atlantic, Mediterranean, Indian and Pacific Oceans there are 60,000,000 Frenchmen who provide the homeland with a magnificent market, if we will only make the necessary effort."

There are other reasons for closer cooperation between France and her colonies. For some time reports of unrest in Algeria and Tunis have filtered through to the outside world. In Algeria, it is known, there has been great dissatisfaction over restrictions upon the importation of Algerian wines into France. Some agreement upon wine exports might well be reached at the Colonial Conference. Similar agreement with the other colonies would go far toward fostering "the economic unity of the French Empire" for which M. Rollin has frequently expressed a desire. Finally, it must not be forgotten that in her colonies France has a great reservoir of manpower in time of war; that fact is ever present in any discussion of colonial problems.

FRENCH SCANDALS

Despite the good impression created by the Flandin Ministry the odor of scandal still clings about the French Government. M. Doumergue and his colleagues were never able to clear up the Stavisky mystery and the strange death of Judge Albert Prince. And new developments continue in these sensational cases. Most recent of all was the unsuccessful libel suit brought by former Detective Inspector Pierre Bony against *La Gringoire* in connection with a series of articles accusing him of being an accomplice of Stavisky and of having confused certain clues about the death of Judge Prince. He was also charged with suppressing some of Stavisky's famous check stubs and with altering names on some of the stubs. Bony has been suspected of knowing more about Stavisky and his affairs than any one else.

Whether or not Bony is guilty on all the charges that have been brought against him, they tend to weaken public confidence in the police and judicial systems. His name is only one that figures in the prolonged investigations by the Stavisky commission, investigations which have unearthed what has been called "a wide network of blackmail, white slavery, bribery, traffic in drugs and thefts of fiscal stamps." There have been other discoveries of corruption. A road-building scandal was recently uncovered in Rouen. In addition, a former Minister of Justice, it is alleged, used his influence when a Senator to aid a client accused of large-scale income tax delinquencies in escaping legal penalties. On Nov. 5 Quartermaster Frogé, formerly of the Belfort garrison, was sentenced to five years' imprisonment, ten years' loss of civil rights and a

5,000-franc fine for selling military secrets to an alleged German spy.

Finally, a first-class scandal, rivaling that of Stavisky, seems to be in the making as the result of the arrest of Charles Levy and his cousin Joseph. These men obtained a government concession to issue bonds for the reconstruction of the devastated regions. Millions of francs were involved, of course, and now it is alleged that the investors were swindled. Exactly how the Levys, operating through half a dozen companies, defrauded the public, as apparently they did, has yet to be revealed. Some time ago a Minister of Justice ordered an investigation of the Levy companies and received a report that all was in order; but a later investigation led the present Minister of Justice, Georges Pernot, to arrest the two men. The most important aspect of the episode was the Levys' influence in high political circles. Charles Levy only a short time before his arrest had been made an officer of the Legion of Honor.

Belgium's Economic Crisis

Belgium's troubles steadily gather, portending a national crisis by which other European countries cannot remain unaffected. Reports from Brussels and Antwerp during the Autumn disclosed a growing uneasiness over the country's financial situation, while the belga manifested an uncertainty on the international exchanges which excited the fears of the other gold-bloc nations—France, the Netherlands and Switzerland. It was becoming impossible to conceal any longer the fact that sentiment for devaluation of the Belgian currency was growing, even among those bankers and industrialists who had been loudest in their protestations against currency tinkering. But economic theory and social reality were face to face. What would the outcome be?

Belgian exports—and the nation normally exports about 60 per cent of its industrial output—have been cut almost in half since 1930. If the belga were devalued, it is claimed, the country would stand to regain a large part of its former export business. Meanwhile about 5 per cent of the total population is listed as unemployed, and the number is steadily rising. To make matters worse, the nation is suffering all the penalties of high living costs, maintained in part by means of high tariffs and import quotas on foodstuffs. The price of butter, for example, has been raised by the import quota to a point where the workingman cannot afford this article of diet.

This situation has had its effect on the financial system. Despite official denials, there was a flight of Belgian capital during November and the banks withdrew funds from the Belgian National Bank in order to meet demands made upon them. Some banks were reported to be in difficulties. The Socialist Banque du Travail failed in October, and the Algemeene Bankvereeniging and Boerenbond, which holds the deposits of thousands of small farmers, was said to be hard pressed.

If there is not to be devaluation of the currency, then the nation will have to pass through a period of acute deflation, with its attendant social and political dangers. To lower the cost of living, the tariff and quota system

must be overhauled; yet any move in that direction would alienate the Belgian farmers. Further governmental economies would call for heroic sacrifices from the people, and even then not much could be accomplished, as the budget allows little room for reduced expenditures. As for wages, the standard of living in the country is already so low that it is difficult to see how they can be further reduced; certainly it seems next to impossible to cut labor costs enough to give Belgian industrialists any real advantage in the world markets. Realization of this fact has driven most industrialists and some bankers to accept devaluation of the belga as inevitable.

Officially the government is still committed to the gold standard, though it was said that disagreement on this point was responsible for the fall of the de Broqueville Ministry on Nov. 13. For nearly a week Belgium was without a Cabinet, but on Nov. 20 King Leopold approved a new Ministry led by Georges Theunis. The new government, however, did not revive public confidence, nor did close observers expect the Theunis Cabinet to last long.

Public opinion, in fact, was definitely hostile to what was regarded as a bankers' government. M. Theunis, Emile Francqui, Minister of State, and Camille Gutt, Minister of Finance, all represent the great financial interests of the country. A leading Socialist paper asked: "Do the bankers take power to save the country or to save themselves?" The Liberal and Catholic press was equally outspoken in its attacks upon the new Cabinet. One paper referred to the Cabinet's "financial trinity, Theunis the Father, Gutt the Son and Francqui the Holy Ghost."

Emile Francqui, head of the Société Générale de Belgique, was singled out especially for attack. The Société Générale has been condemned by all parties as a financial octopus, and not without reason. This huge financial institution controls nearly 60 per cent of Belgian industry and 80 per cent of the enterprises in the Belgian Congo. As head of Société Générale, M. Francqui is obviously one of the most powerful men in Belgium and is recognized as the dominant force in the Theunis Cabinet. M. Theunis himself is a great capitalist, holding the presidency of railroad and electricity companies. So outspoken was the criticism of these two men that M. Theunis announced on Nov. 22 that he would sever his industrial connections and M. Francqui declared that he would resign as head of the Société Générale. Such resignations, of course, have little real meaning.

The Theunis Ministry on Nov. 29 received a vote of confidence from Parliament, but by the narrow majority of 93 to 85. Presumably the government means to pursue a deflationary policy and to adhere to the gold standard, but the Catholic and Liberal parties on which the Ministry rests are divided on the issue and the very bankers whose representatives are in the Cabinet are losing faith in the efficacy of orthodox currency principles. The uncertain state of public opinion, the rising tide of anti-banker feeling and the precarious political coalition which maintains the government make the future of the Theunis Cabinet highly insecure. Meanwhile it has avoided all policies that go to the heart of the national distress, perhaps because the most obvious devaluation, would not only produce incalculable repercussions in Belgium, but would upset the economies of the other gold-bloc countries. E. F. B.

The German Recovery Program

By SIDNEY B. FAY

GERMANY, *in October for the first time since March, 1934, enjoyed* a favorable balance of trade. This was a direct result of the "new plan" inaugurated by Dr. Schacht, Minister of Economics, for rigid control of imports and stimulation of exports. Although the balance amounted to only 16,400,000 marks, a sum nowhere near enough to meet Germany's foreign obligations, the mere fact that an unfavorable balance had changed to a favorable one was held to foreshadow future improvement.

Upon the course of foreign trade depends Germany's ability to pay interest on the Dawes and Young Plan bonds and other external obligations as well as to buy raw materials necessary for the restoration of German industrial life. The following table indicates the trend of foreign trade over a period of years:

(In millions of marks.)

Monthly Average	Imports	Exports	Balance
1913	898	841	— 57
1924	761	544	—217
1929	1,121	1,124	+ 3
1930	866	1,003	+137
1931	560	800	+240
1932	389	478	+ 89
1933	350	406	+ 56
1934:			
January	372	350	— 22
February	378	343	— 35
March	398	401	+ 3
April	398	316	— 82
May	380	337	— 43
June	375	339	— 36
July	363	321	— 42
August	343	334	— 9
September	352	350	— 2
October	349	366	+ 17

October's favorable showing was due to an export total of 365,900,000 marks—the highest for any month during 1934 except March—and to an *import total of 340,500,000 marks—the lowest for any month during 1934* except August. The total adverse balance for the first ten months of 1934, however, still amounted to 250,000,000 marks. The import reduction in October was contrary to the usual seasonal trend, and was especially notable in raw materials and finished goods. Cotton imports were almost entirely eliminated. On the other hand, the effect of the drought forced a 25 per cent increase in the importation of food, compared with the preceding month.

Exports rose mainly in finished goods, principally machines, chemicals and iron products; textile exports dropped, in part, it was believed, because of world-wide suspicion of German substitutes. Exports increased chiefly to Italy, Russia, France, Austria, Denmark, Japan and Argentina.

American exports to Germany for the first nine months of the year dropped from 361,200,000 marks in 1933 to 321,000,000 in 1934. Total German imports at the same time increased considerably. Though German debt payments to the United States were reduced, most other countries, having a favorable trade balance with Germany, could collect what was due them through clearance arrangements and were being paid in full or were receiving preferential treatment.

American holders of Dawes bonds received in cash only half the interest due on Oct. 15, the other half being paid in scrip known as Dawes marks —"blocked" money usable only in

Germany for investments, traveling expenses and so on. Holders of Young bonds were paid only one-sixth of the interest due on Dec. 1, the rest being payable in the same restricted blocked marks. American holders of other German bonds have had even less comfort. Germany has bought back all scrip issued in part payment of the interest on these bonds except that held in the United States.

Repurchase of the scrip issued for the period from July 1 to Dec. 31, 1933, and redeemable at 50 per cent of its nominal value was suspended on Aug. 25, 1934. Scrip issued for the period from Jan. 1 to June 30, 1934, and redeemable at 67 per cent has never been issued in the United States because Germany failed to register it here. For the period since July 1, 1934, Germany has offered to pay interest in new funding bonds. Since most other countries collect interest direct, only the British and Americans are really interested in these new bonds. By a recent trade agreement with Germany, the British exacted a 4 per cent rate, but Americans will receive only the original 3 per cent.

Dr. Schacht's policy, according to American financiers in Berlin, seems to be threefold: To rid Germany of her foreign debt; to reorganize Germany's foreign trade along lines of balanced bilateral trade, which will force each country to buy from Germany as much as it sells to Germany, even if this necessitates increasing German self-sufficiency; and to use Germany's debts and her buying power to promote her political interests.

By this policy, according to these same American financiers, Dr. Schacht has reduced the total of German bonds in American hands from $1,200,000,000 to probably less than $600,000,000, of which $200,000,000 is in Dawes and Young bonds. Since interest on the remainder is paid in 3 per cent funding bonds, Germany's immediate obligations to Americans have been reduced from $24,000,000 a year to about $720,000. It is estimated that Germany's total foreign indebtedness has been reduced from a maximum of some 27,000,000,000 marks to less than 8,000,000,000. Unless other troubles overtake her, she may be able, within a few years, to eliminate her whole foreign debt.

Secretary of State Hull sent a sharp note of protest on Nov. 24 complaining of discrimination against American holders of German securities. But it appeared to have no immediate effect. Germany is still hoping, however, to reach a trade agreement with the United States by which a reduction of the American tariff will enable her to send more goods to America with which to buy more American cotton. Possibly there might be an arrangement by which American cotton could be bartered for German goods. Otherwise the United States will lose one of its best foreign markets for cotton.

German statistics published on Nov. 14 showed that the share of the United States in German cotton imports had dropped from 85 per cent in 1926 to 61 per cent in the first three quarters of 1934. Egypt's share had risen from 5.5 per cent in 1932 to 9.4 per cent in 1934, and British India's from 6.4 per cent in 1932 to 14.1 per cent in 1934.

With some countries Germany, owing to her inability to make cash payments abroad, has arranged for foreign trade by barter. The government of Costa Rica recently awarded a contract for cast-iron pipe to a German firm on the understanding that the payment would be used to purchase Costa Rican coffee for the German market. According to a report

from Panama on Nov. 20, a German firm offered Salvador an electric power and light plant in exchange for coffee. The plant, to be installed in San Salvador and exclusively owned and controlled by Salvadorians, would replace the electric service at present supplied by a company largely financed in Canada.

Germany's internal business conditions showed improvement during the Summer and Fall months. Figures at the end of November indicated increased activity in almost all lines except textiles, where shortage of raw materials was beginning to be felt despite strenuous efforts to create artificial substitutes like "vistra," an artificial fiber produced from wood and mixed with cotton and wool. The production of motor fuel from lignite or brown coal by a hydrogenation process of the German Dye Trust has made progress. Substitutes for many other products formerly imported were reported as passing from the experimental to the practical stage.

The output of steel ingots in October was 1,136,000 tons, compared with 716,000 in the same month of 1933. German shipyards on Oct. 1 had 142,000 registered tons under construction—a year before the total was only 31,000 tons. The bulk of foreign orders for tankers has been obtained against strong international competition. Department stores reported a turnover of 11 to 25 per cent above the corresponding period in 1933. The number of dwelling houses completed in the third quarter of the year was 67 per cent higher in 1934 than in 1933, and cement production for October was 40 per cent higher than in 1933.

This improvement in domestic business conditions was reflected in an encouraging excess of all taxes over the budget estimates and a considerable increase over the taxes of 1933. For the first six months of the fiscal year beginning April 1 the total tax revenue in 1934 exceeded that in 1933 by 572,000,000 marks. But the gold and foreign exchange in the Reichsbank remained almost stationary at about 78,000,000 marks, so that the coverage of the outstanding note circulation at the end of November, though slightly improved, was still at the ridiculous figure of 2.17 per cent.

A Cabinet decree of Dec. 4, issued at the instance of Dr. Schacht, limited cash dividends on stocks to 6 per cent, or if the stocks have already been paying more than that, to 8 per cent. All earnings above these rates must be turned over to the Gold Discount Bank, which will invest them in government loans. The funds thus drafted will remain, in theory at least, the property of the stockholders but not of the company, and will be administered by the Gold Discount Bank as trustee and repaid after four years.

This forced loan decree caused a sharp drop of market quotations on high priced stocks. It was expected to affect approximately 10 per cent of all German stock companies and to produce some 40,000,000 marks a year. The Nazi press, justifying the decree, explained that most increases in stock earnings have been produced by the government's "labor creation program," and therefore the government should have the right to utilize a part to finance more "labor creation." The decree is also regarded as a sop by Dr. Schacht to left-wing Nazi sentiment in return for the preservation of private ownership of the banks and the elimination of direct Nazi control of business provided by the last business reorganization law.

GERMAN CHURCH CONFLICT

Dr. Goebbels, discussing the Protestant Church situation on Nov. 23, de-

clared: "We shall keep our finger out of this struggle." A few days later Minister Goering said the police would no longer be used to support Reich Bishop Mueller's adherents against the opposition pastors. The Nazi State, in accordance with Hitler's personal preference from the beginning, seems to have decided to adopt definitely a neutral attitude between the two Protestant groups and to leave them, so long as they recognize the State's authority, to come to a settlement, if they can, on their own account.

Though Reich Bishop Mueller's authority has been gradually declining he has refused to resign. His measures against the opposition pastors during the past twelve months are now generally recognized as illegal, even by the State authorities. Unless he can secure a newly elected legal ecclesiastical ministry his position will be still further weakened. This loss of influence was indicated on Nov. 26 when the authorities confiscated the current issue of his weekly periodical, *The Gospel of the Third Reich,* for advocating that everything should be done by the German Christians to obtain their ends and for calling on the Minister of Propaganda to prohibit the opposition from holding public meetings. Dr. Goebbels had already stated that both conflicting groups should cease to disturb the Third Reich by airing their disputes in public meetings.

Dr. Karl Barth, distinguished Swiss theologian of Bonn University, was suspended from his professorship on Nov. 26 by Dr. Rust, the Prussian Minister of Education, on the ground that he refused to take the oath of personal loyalty to Chancellor Hitler as prescribed by a law of Aug. 20, 1934. Dr. Barth was one of the earliest Protestant theologians to speak out vigorously in defiance of the Na: tenets and efforts to control th church. He has written many book: lectured to enthusiastic crowds of stu dents and done much to revivif Christianity in the twentieth century

The German Government agai came into conflict with the Vatica early in November over an allege violation of the Concordat. Tw priests, professors at the Braunsber Catholic University, a State institu tion in East Prussia, issued a state ment fully approving the government' sterilization law. The Holy See, whos view is diametrically opposed to tha law, promptly deprived both men o their status as teachers and forbad them to continue the exercise of thei priestly offices. Instead of dismissin both, as required by the Concordat the government simply made the an nouncement that "both professors ar still in office."

THE GERMAN LABOR FRONT

The German Labor Front was give increased powers by a decree issue by Chancellor Hitler on Oct. 24. Thi organization, which absorbed labo unions and employers' associations more than a year ago seized hundred of millions of marks in property an cash of the former labor unions. I was less effectual in seizing the prop erty of the employers' associations In connection with the new decree therefore, Hitler warned the employ ers' associations that the year grante for winding up their affairs was near ly over and that they must join th Labor Front before the end of 1934 He insisted that both employers an workers join as "members with equa rights."

The decree gave the Labor Fron the right to arbitrate all labor dis putes, including questions of wage furloughs or mistreatment. In theor

this was supposed to assure industrial peace and justice in line with the National Socialist principle of "the common good before the individual good." But German employers were fearful of the consequences. They felt that they had been tied hand and foot to a labor organization in which they had merely a nominal voice, for if they were to vote they would be defeated 19 to 1. Only when the Labor Front is incapable of arbitrating a question successfully is decision to rest with one of the thirteen regional Trustees of Labor, who are as a rule appointed from, and sympathetic with, the employer class.

The new decree marked a decided move toward the Left in labor matters. It was said to have caused sharp divisions among Nazi leaders. On one side was Dr. Robert Ley, head of the Labor Front, who was sensitive to the dissatisfied and disillusioned workers who must be conciliated; on the other was Dr. Schacht, who was conscious of the desires and difficulties of big business. The approaching Saar plebiscite, in which union labor will have a big vote, and the steadily rising cost of living probably made the Chancellor decide that these concessions to labor were prudent.

THE DANZIG NAZIS

Bitterly contested elections in two of the agricultural districts of the Free City of Danzig on Nov. 18 showed Nazi gains. The elections, which ordinarily would have only a local interest, attracted attention because they were held under the old free democratic system which gave all parties full play at the polls, and because they are the first Danzig elections for more than a year. They thus threw some light on the power of the Nazis in a free election and on their chances in the Saar plebiscite on Jan. 13, 1935.

In the Danzig Niederung district *the Nazis increased their vote to 79* per cent of the total ballots, as compared with 62.5 per cent in May, 1933. The recent vote was: Nazis, 11,610; Catholic-Nationalists, 956; Social Democrats, 1,575, and Communists, 473. In the Grosses Werder district the Nazi vote increased from 60 per cent to 77 per cent: Nazis, 18,102; Catholic-Nationalists, 2,186; Social Democrats, 2,079; Communists, 830, and Polish, 255. The Nazis regarded their victory as proof that the old party system was definitely ended.

Dr. Hermann Rauschning, President of the Danzig Senate and head of the Free State administration, resigned office on Nov. 24. He had helped in bringing about friendly relations between Danzig and Poland and in paving the way for the German-Polish entente of February, 1934. He was at once succeeded in office by Arthur Greisser, who also represents the policy of "Peace with Poland."

SAAR MINES AGREEMENT

Two important agreements were reached early in December which augur well for the peaceful solution of the Saar question. (See the article "The Fate of the Saar" on page 399.) The first relates to Germany's repurchase of the Saar mines, which now belong to the French Government. The Versailles treaty provided that, if the plebiscite went in favor of Germany, she was to buy back the mines at a price fixed by experts, paying for them in gold within a year. This had been regarded as a thorny problem because of the difficulty of arriving at a price that would be regarded as just by both parties and because of Germany's lack of funds for payments abroad. It was feared that hag-

gling over this repurchase question might, even after the plebiscite, long delay a final settlement.

An agreement, however, was reached at Rome on Dec. 3 between Count de Chambrun for France and Ambassador von Hassell for Germany, in consultation with Baron Aloisi, the Italian chairman of the League of Nations Special Commission on the Saar problem. If the plebiscite goes in favor of Germany she will pay France 900,000,000 French francs as settlement for the mines and all other French credits in the Saar. The French agreed to accept 11,000,000 tons of coal during the next five years as part payment. Part of the rest of the payment will presumably be made by German acceptance of the French francs now circulating among Saarlanders. German marks will be exchanged for those francs, which will then be used to pay France.

Germany also agreed to extend to the non-voting population of the Saar the same guarantees promised to the voting population at Geneva on June 4; to respect all rights acquired by Saarlanders in regard to social insurance and State aid; and to extend to the whole Saar population, regardless of race, religion or political belief, full guarantees against persecutions or reprisals of any sort for one year. This guarantee is to be supervised by the Supreme Plebiscite Tribunal.

The second important agreement was Great Britain's dramatic announcement at Geneva on Dec. 5 that, contrary to her previous policy, she was willing to send a military force to aid in preserving order during and immediately after the plebiscite, on the theory that it is better to prevent disorder than to call in troops after it occurs. The British contingent will be augmented by contingents from countries other than France or Germany. Mr. Knox, the president of the Saar Governing Commission, will thus be provided with the international police force he has so much desired. It may also afford a precedent for the League of Nations in the use of an international army.

AUSTRIAN DIET MEETS

Two of the advisory bodies for which provision was made in the new Austrian Fascist Constitution assembled for the first time late in November. The State Council, composed of fifty-four non-elected members drawn largely from among aristocrats and wealthy business men, met behind closed doors on Nov. 27. Count Rudolf Hoyos as president spoke of the government's long-continued war against Socialists and Nazis and against "the undesirable development of democracy, which, as in almost every country in Europe, was an enemy of the State."

The Bundestag, or Federal Diet, came together for the first time on Nov. 30. This body, which is the nearest approach Austria now has to a Parliament, consists of members selected from the four advisory councils, of which the Council of State is one. It may approve or reject bills submitted by the government, but may not alter them. If the Bundestag rejects a bill, the government may go over its head by appealing to the people in a plebiscite.

On Dec. 5 Karl Seitz, former Mayor of Vienna and head of the Socialist party, was released after ten months' imprisonment. Jailed in connection with the suppression of the Socialists last February, Herr Seitz was held without trial or charge and has now been released by the government, according to some observers, only so that he would not die in prison.

Spain Moves Toward Fascism

By William E. Lingelbach
Professor of European History, University of Pennsylvania

During November the Spanish Government continued the work of repairing the peace shattered by the October insurrection. Reports of investigating commissions revealed an appalling destruction of life and property. All told about 3,500 were killed—mostly in Asturias—more than 10,000 were wounded and property worth 4,000,000,000 pesetas (over $500,000,000) was destroyed. The government decided to proceed at once with the work of restoration in the Province of Asturias. The city of Oviedo will have to be almost entirely rebuilt.

Punishment administered to the leaders of the insurrection has been relatively mild. True, the death sentence was restored, and two persons were executed by firing squads, but the death sentence of twenty-one others was commuted to life imprisonment. In protest against the executions Syndicalist labor unions ordered a strike for Nov. 6. But the response was feeble; the Socialist Workers Federation refused to join, and the Syndicalists themselves appeared disheartened and cowed.

On its part the government took no chances. Martial law was maintained for another month and a division of shock troops, 18,000 strong and equipped with up-to-date arms, motors and airplanes, was organized to deal with any future uprising. These picked troops will be able to reach any part of Spain within ten hours. Soldiers and civil guards who remained loyal during the October uprisings have been rewarded by promotions, and a public subscription has been raised for the dependents of those killed in the performance of duty.

The insurrection has had a marked effect on the political parties and on the attitude of the public regarding social and economic reforms. In the Cortes, as throughout the nation, the parties of the Right have been greatly strengthened. Premier Lerroux, representing the Conservative Republicans, has gained in prestige and power, and it is doubtful whether even Catholic Popular Action could now take over the government without him. His strength is much greater than his party representation of 77 indicates. Besides, temporarily at least, he has the full support not only of Catholic Action, which numbers 115, but of 31 Agrarians and 10 Liberal Democrats, a total of 233, against a Leftist Opposition badly weakened by the failure of the revolt.

Nearly all Opposition seats were vacant when the Cortes met on Nov. 6, the Left leaders having decided not to participate in the work of the government until martial law is withdrawn and censorship of the press removed. The Basque Nationalists attended only to protest against the censorship, and then abstained from voting. On the extreme Right are about seventy-five Deputies, many of them engaged in the formation of an organization looking toward a sort of Fascist dictatorship, the substitution of a Council of Corporations for the

Cortes, and possibly the restoration of the monarchy.

Premier Lerroux obviously continues as head of the government only on sufferance of the Catholic leader Gil Robles. For the present an understanding exists between the two, Premier Lerroux having actually referred to Gil Robles as "my successor." Gil Robles, content with three representatives of his party in the Ministry, is now devoting his energy to building up his party throughout the nation for the time when he will himself take over the government.

Gil Robles delivered a speech before the Cortes early in November which was highly significant in view of his steadily growing strength. After announcing his support of a motion of confidence in the Ministry, he launched forth in a bitter attack on the parties of the Left for having treasonably taken advantage of their position under the Azaña government to prepare for the uprising. In order to win the people away from socialism he proposes economic and social reforms—social legislation freed from socialism, labor unions of a non-political character and land reform. He even accepts the possibility of splitting up the great estates, but on scientific lines based on social and agricultural needs, rather than according to socialistic theory. In education Gil Robles demands "liberty of teaching" and the right of all faiths to teach, each to receive aid from the State in proportion to the number of pupils. Taken in conjunction with the surprising statement on agrarian reform made in the Cortes two weeks later by Manuel Jiminez Fernandez, Minister of Agriculture and member of Catholic Action, the speech by Gil Robles shows that the party is committing itself to a program very much like that of Christian Socialists in general.

On Nov. 17 Foreign Minister Ricardo Samper and the Minister of War, Diego Hidalgo, resigned because they were censured for failing, as members of the Samper government, to take precautionary steps in September to prevent the insurrection of October. For the time being the Cabinet problem was settled when Premier Lerroux himself took over the two portfolios.

Angered by the unfavorable reports of Spanish affairs in the foreign press the government during November set out to curb foreign correspondents. Miss Wolf of *Het Volk,* Amsterdam, and Hans Joel of *Politiken,* Copenhagen, were arrested and expelled from Spain as undesirables. On Nov. 8, Reginald Calvert, correspondent of the London *Daily Telegraph,* was arrested in Madrid, as was Mlle. Thiery, a correspondent of *L'Oeuvre,* Paris. The most drastic move came when Miss Ellen Wilkinson, former Labor member of the British Parliament, and the Earl of Listowel were forbidden to investigate atrocities in Madrid said to have been committed during the suppression of the October uprisings.

Italy's Corporative State

The Fascist Corporative State was finally completed when on Nov. 12 in the great Hall of Julius Caesar on the Capitoline Hill Premier Mussolini formally opened the General Assembly of Corporations. This body consists of the representatives of the twenty-two "Corporations of Categories"—that is, representatives of labor and capital from 347 branches

of agriculture, industry, commerce and the professions. A few members were present in their capacity as experts and technicians or as leaders in the Fascist party.

The machinery has been set up through which the Corporative State will function and for which the foundations were laid eight years ago in the "Legal Discipline of Collective Labor Relations Law" of April, 1926. In 1927 the great "Charter of Labor" was added, and in 1928 the Electoral Reform Law was enacted to integrate the new system of economic corporations with the political functions of the State. Above the General Assembly of Corporations is the National Council of Corporations. There is much speculation as to which body of the Corporative State will replace the still existing Chamber of Deputies.

Mussolini, in his opening address, informed the Assembly that the occasion was "perhaps the most imposing event in the history of Italy," and "the most unprecedented in the history of any country. The last century proclaimed the equality of all men before the law. The Fascist century maintains and indeed consolidates that principle, but adds to it another no less fundamental—the equality of all men before labor, viewed as a duty and right, as a creative joy that must widen and ennoble existence, not mortify and depress it." "The Fascist experiment," he declared, "will be copied by the rest of the world, and inevitably lead to the repudiation of the old political State system." However that may be, the Fascist State as now organized and functioning undoubtedly represents the most thoroughgoing regimentation of economic and social forces as yet undertaken by any country except Russia.

In the Assembly of Corporations, each Corporation constitutes a Directorate or governing body for a particular field in the national economic life. The Corporations are given extensive powers to plan and direct production and distribution in their respective spheres and to regulate costs, prices, imports and exports. Thus the Corporation of Textile Products is preparing a program for the defense of the silk and cotton industry with special reference to exports, Japanese competition, utilization of hemp and other domestic textile fibers as substitutes for imported materials, the regulation of retail trade and the development of more effective cooperation between the different textile industries. The Corporation of Cereals is setting up controls of grain markets, prices, contracts, conditions of the milling industry and bread distribution.

One of the objectives of the Corporations, Mussolini said, was to increase without delay the power of the nation, for "in spite of our desire for collaboration and peace, Europe will again arrive at the cross-roads in its destiny." On Oct. 30 Mussolini announced the creation of the Wolf Balilla—Sons of the Wolf—to include the 1,500,000 Italian boys between the ages of 6 and 8. They will be given military and Fascist training in preparation for entering the regular Balilla, which consists of boys between 8 and 14. The teachers in all Italian elementary schools, both men and women, have been ordered to wear the uniform of officers either of the Balilla organizations or of the Fascist militia. In secondary schools and colleges army officers in uniform now occupy the platforms of the teachers during the period of compulsory military courses prescribed by the decree of Sept. 18. No promotion or graduation is possible without satisfactory completion of the military courses. To

offset this extensive military training in the schools, Mussolini announced that, beginning on Jan. 1, the regular period of military service in the army would be reduced from eighteen to twelve months. There are no exemptions from this service.

During November King Victor Emmanuel III visited Somaliland and other Italian colonies. The occasion naturally brought to the fore Mussolini's colonial ambitions and the oft-repeated claim that these embraced both Asia and Africa—Asia because of threatened Japanese expansion into Africa, especially Abyssinia, and Africa because there in particular Italy has large interests. It has been announced that Libya will henceforth consist of four large provinces—Tripoli, Mesurata, Bengazi and Berna. A special military command will be created for the southern area, and the entire administration will be centralized in the hands of Marshal Balbo. Plainly Italy is becoming "colonial minded."

The Italo-French pact involving the settlement of many points of dispute between the two peoples is said to be nearing completion.

In financial matters also Italy is drawing closer to France in order to maintain the gold standard. Significant, too, is the flotation of a large new property loan, which will reduce interest on such loans from a maximum of 6 per cent to a maximum of 4 per cent. Between Nov. 21 and 27 the Italian Treasury issued bonds to the amount of 2,000,000,000 lire (about $170,000,000) to meet the gold deficit in the national budget and to make possible the carrying out of the public works program in Rome and other cities. The interest rate is 4 per cent, but despite this the issue was soon oversubscribed. The new loan brings the domestic debt to 105,000,000,000 lire (approximately $9,000,000,000).

Poland's Struggle for Solvency

By FREDERIC A. OGG

THE Polish budget for 1935-36 was outlined early in November at a meeting of the representatives of the Non-Partisan Bloc of Cooperation with the Cabinet. Expenditures were estimated at 2,132,861,600 zlotys and revenues at 1,983,743,700, leaving a deficit of about 150,000,000 zlotys. Of the contemplated expenditures, 761,000,000 zlotys—more than a third of the total —was allotted to the Ministry of War.

The struggle with the deficit, Premier Leon Kozlowski explained, is being carried on "steadily and obstinately," and with appreciable success. In 1933-34, the shortage was 337,000,000 zlotys; in the current fiscal year, 223,000,000. In coming years, it was predicted, the sums will be further cut down, until in the near future a balance will be achieved. Only by further reducing the salaries of government employes or by sharply curtailing the public services, to the impairment of the country's cultural level and international position, could a balanced budget have been attained for the coming year. Such measures the government did not deem justifiable. The prospective deficit, it was promised, will in no way affect the currency nor the gold standard.

One method by which the government hopes to escape recurring defi-

cits is that of agricultural relief, thereby making the peasants and landowners better taxpayers. The relief program began in 1932 with the passage of a law decreasing interest on mortgages. Another measure in 1933 extended to three years short-term credits for farmers. More recently, in 1934, arrangements were made to convert peasants' and landowners' debts into fifty-year mortgages bearing 4½ per cent interest. This was calculated as tantamount to a 50 per cent reduction in the burden of indebtedness. Under the new reform, the smallest holders will enjoy the most privileges, with owners of medium-sized farms coming second and the largest proprietors last.

The extreme backwardness of Polish agriculture is indicated by the fact that practically no advanced marketing facilities have been developed; in the absence of commission houses, the urban population buys its food direct from the peasants. Land prices, too, are amazingly high. Within a radius of fifty miles of Warsaw, it is difficult to find good land costing less than $200 an acre. Automobiles are owned by hardly any of the rural inhabitants. A Ford costs approximately $2,000 and gasoline is 50 cents a gallon. Indeed Poland, with a population of 33,000,000, has only about 30,000 motor cars, and since 1929 the number has been declining.

It has been rumored in Warsaw that, after nearly ten years of self-imposed exile, ex-Premier Ignace Paderewski will return to the land which he served so conspicuously in early post-war years. It is felt, furthermore, that the government sorely needs the advice and guidance he might give. Marshal Pilsudski long ago abandoned speaking and writing, and while his hand is still on the helm, it is growing feebler and the country conspicuously lacks a strong moral figure.

Public affairs are admittedly in a less satisfactory condition than a few years ago. The prolonged economic crisis has taken its toll; excessive governmental interference with business has discouraged enterprise; the rift between the ruling party and the mass of the people is believed to be growing deeper every day. Whether M. Paderewski will set foot again on his native soil will be for him to say. The last time he did so, in 1924, the parties of the Left—the present rulers—did not want him, and the parties of the Right did not come out openly for him. When efforts were made in New York in 1932 to enlist his interest in the Polish Presidential campaign then in progress, they failed completely. If Paderewski does return, some of his friends say, it will be to demand restoration of a constitutional system, of parliamentary government and of civil liberty, together with a foreign policy more in accord with the country's international obligations and interests.

The birth rate, which has fallen steadily since 1930, has at last turned upward and, combined with a still declining death rate, has given Poland a net natural increase in population of 208,121 in the first half of 1934 as against 184,975 in the corresponding period of the previous year.

GERMANS IN CZECHOSLOVAKIA

A new German party, the Sudete Home Front, has recently appeared in Czechoslovakia and promises to be of considerable significance. Two German parties—the German Agrarians and the German Social Democrats—have for years collaborated with the Czechoslovaks and both are represented in the Cabinet. But since the German Nationalists failed to maintain their seats in Parliament, and espe-

cially since a section of the German National Socialists was dissolved about two years ago, there has existed, as a writer in the *Central European Observer* remarks, "a large floating mass, as it were, of unattached German opinion, tired of the old dissensions and disloyalties, and anxious to play a rôle in the country's affairs on a practical basis." To organize this opinion is the object of Konrad Henlein, the new party's founder.

Originally Herr Henlein conceived of an organization of loyal Germans that would stand above parties. But, for various reasons, he decided that the form and character of a political party would serve best, though it would be dedicated to conciliation and mutual confidence between Germans and Czechoslovaks. With this object in view the new organization fully accepts the Czechoslovak Republic and its frontiers, favors the existing democratic-republican form of government, rejects fascism and the concept of totalitarianism, opposes a Habsburg restoration, and upholds civil liberties. Although the party advocates decentralized administration for districts with large German populations, it does not demand regional autonomy. Beyond these main points, the party program is still nebulous, but its general principles give it distinction. The first great open-air mass meeting, held at Ceska Lípa (Leipa) during the last week of October, attracted 20,000 supporters.

If any doubts exist concerning the gravity of Europe's new race for armaments, they should be dispelled by the recent budget debate in the Czechoslovak Parliament. Impelled by her geographical situation and by the sentiments of her people, Czechoslovakia has been disposed to remain a pacific nation. But a change is occurring. Though Foreign Minister Benes declared that for the slogan, "If you want peace, prepare for war," he would like to substitute "If you want peace, prepare for peace," he admitted that there are times in the life of a nation when to neglect preparation for defense amounts to an invitation to war. Czechoslovakia must therefore make ready to resist attack. Bohumil Bradac, Minister of War, spoke more specifically, saying that it has become necessary to fortify certain particularly vulnerable towns. He announced that the fortifications will be begun in the Spring, and predicted that the army general staff will find it necessary to insist upon prompt introduction of a two-year period of universal and compulsory military service.

Serious clashes between Czech and German students at Prague University on Nov. 24-26 bore witness to the tension created by a recent order of the Czechoslovak Government to the German university to hand over its historic insignia to the Czech university. The transfer, accompanied by renewed disorders, was made on Nov. 26.

RUMANIAN AFFAIRS

At the conclusion of a meeting of the Foreign Ministers of the four signatories of the Balkan Pact—Rumania, Greece, Yugoslavia and Turkey—at Ankara on Nov. 1, M. Titulescu of Rumania said that he doubted whether, as has sometimes been surmised, the Balkan group and the Little Entente would ever unite. The ultimate aim of both affiliations is, he said, the maintenance of peace, but in spheres so distinctly separate that it would be absurd to ask the signatories of one pact blindly to shoulder the responsibilities of the other. Individually, he added, the countries of the Balkan group are poor and devoid

of both the military forces and the population to protect their interests. United, however, they constitute a moral force able to discourage any tampering with the peace of Eastern Europe. That there are definite commitments of a military nature he refused to concede.

When the French Government, on Nov. 21, canceled an order for the expulsion of Puju Dumitrescu, formerly King Carol's secretary and close personal friend, M. Titulescu scored a victory over Mme. Magda Lupescu from which he undoubtedly derived considerable satisfaction. Having quarreled with the King's favorite over charges that she interfered too much with affairs of State, M. Dumitrescu found it expedient to take up residence in Paris. When it was rumored that he intended to publish some embarrassing documents in the Bucharest press, his quarters were searched and his deportation ordered. On demand of M. Titulescu, however, King Carol saw to it that the order was rescinded. It was, indeed, largely on account of his resentment over M. Dumitrescu's treatment that the Foreign Secretary precipitated the Ministerial crisis of Oct. 1-2.

LIBERAL HOPES IN YUGOSLAVIA

There is a general understanding in Yugoslavia that Prince Paul, the most influential of the Regents, favors reconciliation with the Croats and Slovenes and a gradual restoration of parliamentary government. Acting on this belief a notable group of Yugoslav churchmen, professional men, politicians and former government officials formally petitioned the Regency on Nov. 10 to relax the stern régime of the late King Alexander and to liberate political prisoners. They also asked for free municipal elections that the people might have a long-deferred opportunity to express their real political ideas and desires. The country's economic difficulties, it was said, are made harder to bear by the excesses of police and petty local officials. The petition went so far as to suggest that political amnesty be broad enough to include the famous Croat Peasant leader, Dr. Vladko Matchek, who was sent to prison in 1933 to serve three years for treason.

As yet there have been no definite developments, and popular impatience in Croatia has expressed itself by student demonstrations in Zagreb. It was considered significant, however, that early in November Prince Paul had lengthy conversations with the Slovene leader, the Rev. Anton Koroshetz, with Dr. Matchek, with the Bosnian leader, Spaho, and with other prominent members of former Opposition parties. At the middle of the month it was rumored that amnesty would presently be granted to all political émigrés who had not taken part in active hostilities against the régime. Presumably the revival of regional Croatian or Slovene parties would not be tolerated.

EXCHANGE OF POPULATIONS

The members of the mixed commission for the exchange of Turkish and Greek populations announced early in November the completion of its arduous labors. Set up by the Treaty of Lausanne, the commission in October, 1923, began its work of supervising the removal of 700,000 Greeks living in Turkey to Greece and of 350,000 Turks living in Greece to Turkey. Thus was to be solved the problem of Greek and Turkish minorities in a period when the two countries were still constantly at odds. The mere provision of transport arrangements was a tremendous task, but the real difficulty began when problems of na-

tionality and property rights were taken up. It is doubtful whether the project could ever have been completed had not Greco-Turkish relations improved so much that in 1930 it became possible for property claims on the two sides to be canceled against each other. Greece then paid Turkey a balance of over $1,000,000. Nevertheless, four more years were required to liquidate the undertaking, easily the most ambitious thing of the kind ever attempted. Only Istanbul and Thrace were excepted from the exchange of population, 74,000 Greeks being permitted to remain in the former and 106,000 Turks in the latter.

Charges that Greek minorities were being mistreated in Albania led to serious anti-Albanian agitation in various parts of Greece during November. The heart of the difficulty was the discharge of Greek teachers in Albanian schools and the resulting objection of Greece to the teaching of the children of her nationals by Moslem instructors in the Albanian civil service. A League of Nations committee has been appointed to investigate the matter.

Fourteen persons, including two police officials, were placed on trial on Nov. 23 in the Piraeus court house for the attempted assassination of ex-Premier Venizelos in June, 1933. M. Venizelos, who of late has spent very little time in Athens, remained in Crete, uncertain whether he would testify because of alleged danger from his political opponents in the capital. On Nov. 24 the trial was postponed, although the court overruled a motion for dismissal of the case on the ground that the accused had been in prison longer than the constitutional period allowed for holding persons awaiting trial.

Fruits of Finnish Nationalism

By Ralph Thompson

The anti-Swedish sentiment long characteristic of Finnish nationalism has shown itself again. Although Swedish-speaking undergraduates in the University of Helsinki number 20 per cent of the total, the Finnish Cabinet recently introduced a bill calling for further reduction in the use of the Swedish language there. Protests and petitions from Denmark, Iceland, Norway and Sweden availed little, for public sentiment was aroused. During November Helsinki police were forced to disperse several crowds of anti-Swedish demonstrators.

The language controversy is not regarded as likely to lead to international complications, but it reappears unfortunately soon after another Finnish move that Sweden regards with distrust. In mid-Autumn Finland intimated her desire to fortify the Aland Islands, which lie at the mouth of the Gulf of Bothnia, near Sweden. While Sweden apparently has no fears that the fortifications will be used against her, she believes that if Finland should become involved in a war with a third power Swedish interests might be gravely endangered.

A breakdown of Finland's always-strained trade relations with Germany was averted on Oct. 10 when a new clearing agreement came into force.

As it may be denounced on a fortnight's notice, the settlement is obviously makeshift. With other nations than Germany, Finland has been an increasingly successful trader. Exports for the first ten months of 1934 amounted to nearly $112,000,000, as against $95,000,000 for the corresponding period of 1933; imports were $85,000,000, as compared with $70,000,000 in 1933. The favorable balance thus achieved was the highest ever recorded. Among Finland's customers Great Britain now stands first in both exports and imports. Germany has dropped to second place.

LATVIAN DICTATORSHIP

Six months of the dictatorship set up in Latvia under Karlis Ulmanis (see CURRENT HISTORY for July, 1934) came to an end on Nov. 15. In theory, with the completion of this half-year the "state of emergency" declared at the time of the coup d'état should have been revoked. But such has not been the case. Although a few concessions to democratic methods have been granted—for example, nine of the twenty-eight Latvian trade unions are now allowed to function under strict supervision—the Constitution remains practically suspended and representative government does not exist. On Nov. 18, Latvia's Independence Day, great celebrations were held at home and among Latvians resident abroad, and high praise was heaped upon Premier Ulmanis for his masterly management of the country.

NORWEGIAN FISHERIES PACT

For twenty years or more there have been difficulties between Great Britain and Norway regarding fishing rights in their respective waters. Norway claimed that British trawlers damaged Norwegian gear; the British claimed that Norwegian courts adjudged their cases unfairly. To Norway the controversy was serious because, in value, fish and fish products make up about 25 per cent of her exports. In Great Britain the fishing industry is not so important, but for the sake of her growing friendship with Scandinavian countries London was eager for an adjustment.

This was finally accomplished on Nov. 5, when a new agreement was signed by Sir John Simon and the Norwegian Minister in London. The fundamental question of the extent of Norwegian territorial waters did not arise, Norway still claiming four miles and Great Britain declaring it should be three. But provision was made for settling individual disputes whether by British or Norwegian fishermen. Two boards are set up, one in Norway, one in the United Kingdom. Each board will have two members, one appointed by each country. The governments agree to do their best to see that their nationals abide by the recommendations handed down.

NORWEGIAN ELECTIONS

Municipal elections held throughout Norway on Oct. 15 resulted in substantial gains for Labor. While the victory did not directly affect Labor's position in the national government, it served as still another reminder that the Liberal Cabinet of Premier Mowinckel rests upon a precarious foundation. Yet Premier Mowinckel has succeeded in bringing Norway well along the road to recovery. The fiscal year 1933-34 ended with a government surplus of 10,200,000 kroner (about $2,500,000), as compared with the previous year's deficit of 37,000,000 kroner. Foreign trade for the first nine months of 1934 exceeded that of the corresponding period in 1933 by 66,000,000 kroner, although imports grew more rapidly than exports.

Russia's Quest for Security

By Edgar S. Furniss
Dean of the Graduate School, Yale University

What are the objectives of the Soviet Union's foreign policy? That is the question raised by Léon Archimbaud's declaration in the French Chamber of Deputies on Nov. 23 that Russia had promised France military assistance in case of war with Germany. European capitals, Berlin in particular, promptly concluded that a military alliance of the old type had been formed. This inference was supported by M. Archimbaud's assertion that the Red Army should be included in any appraisal of French defensive power against the Reich. Although Soviet officials refused to confirm this statement, their comment was so reserved as to leave doubts whether such an alliance did not exist.

The incident confused students of international affairs because a Franco-Russian alliance would contradict what have been regarded as the principles of Soviet foreign policy. Soviet leaders have made no effort to conceal their distrust of the Nazi régime, and during the past year they have steadily moved toward closer affiliation with France. Yet the basic policy of the Soviet Union has always been the avoidance of entanglements with any power or group of powers likely to become involved in future conflict, and the promotion of general agreements of neutrality and non-aggression. This concern for international harmony, based on the needs of the domestic program, embraces not only security from attack but stability of relations between foreign countries, for any European conflict would be disastrous to the Soviet Union.

Recent Soviet activity in European affairs has been largely directed toward an Eastern Locarno pact that would guarantee the security of Russia's Western frontiers. Could an Eastern Locarno be realized, Soviet military strength would be increased in the Far East, where real danger lies. Thus far all efforts have been balked by the refusal of Poland and Germany to accept such an agreement. Poland hopes eventually to absorb certain regions of the Soviet Union, and Germany is discontented with her own Eastern boundary. Since German ambitions obviously affect Polish interests, both Germany and Poland must be parties to any general agreement regarding existing frontiers.

The Soviet Union, by cultivating cordial relations with France, has sought to change the attitude of Germany and Poland. Russian acceptance of membership in the League of Nations was a step in this program, for France insisted that any non-aggression agreement to which she was a party must be under the administration of the League Council. Just before M. Archimbaud's startling announcement to the Chamber of Deputies the French and Soviet Foreign Ministers conferred at Geneva. It was reported that they decided to make one last effort to induce Poland and Germany to join the Eastern Locarno; failure would cause France and Russia to conclude their own bilateral agree-

ment, committing France, in exchange for a Russian military guarantee of the original Locarno pact, to military support of the Soviet Union in case of European attack.

Events had reached this stage when the premature announcement of a Franco-Soviet military alliance was made in the French Chamber. As far as is known the final steps for such an alliance have not yet been taken. Nor if a treaty is eventually signed will it create the old-fashioned type of alliance, since the obligation of either country to assist the other will depend upon who is the aggressor State as determined by the neutral members of the League Council. Finally, the immediate background of Franco-Soviet relations, as well as the development of recent Soviet foreign policy in general, makes it evident that the Union is still concerned primarily with the program of neutrality in Eastern Europe and that it is undertaking comparatively slight and innocuous obligations to France in exchange for that country's support of this project.

The Soviet Union's diplomatic strategy toward Germany promises success. The rapprochement with France is one, but not the most influential, item in the Soviet campaign to break down German opposition to Russian policy. Pressure exerted through the manipulation of Soviet foreign trade has been more effective. Germany in 1933 supplied nearly 80 per cent of all Soviet imports from the West, but since the advent of the Nazis the situation has greatly altered. During the first seven months of 1934 Soviet purchases in Germany fell to one-fifth of the figure for the same period a year before, and are estimated not to exceed $12,000,000 for the entire year. That this boycott of German wares is not a temporary policy is indicated by the Russian Government's extinguishing its credits in Germany.

This economic pressure on the German business world has already affected the Nazi attitude toward the Soviet Union. The aggressive anti-Soviet propaganda of last Spring and early Summer has ceased, while Nazi leaders have gone out of their way to bestow marked courtesies upon Soviet representatives in Germany. The German Ambassador to Moscow has assumed the same friendly attitude. Definite evidence of this change of attitude was given a couple of months ago in the remarkable German offer of credit on terms more liberal than any yet extended to the Soviet Union. The amount offered was 200,000,000 marks, and the credit was to run for five years with option of renewal for an additional two to five year period. But Soviet officials received this generous proposal coolly, making it clear to Germany that the one indispensable condition for resumption of active trade was the Reich's adherence to Russia's scheme for the stabilization of international relations in Eastern Europe. The evident anxiety of the Nazi leaders to appease and conciliate the Soviet Union promises eventual success for this program.

The Soviet Union's relations with all other European nations are such that this neutrality program could be quickly consummated if the opposition of Poland and Germany were broken down. Until the progress of Soviet diplomacy during the past year is surveyed, one is likely to underestimate the gains that have been made. The small Baltic States are now on cordial terms with the Soviet Union and within the year the Little Entente as a group has begun to collaborate with Soviet officials to procure full reinstatement of Russia in the family of nations.

The controversy with Rumania over the status of Bessarabia, which for many years proved an insuperable obstacle to friendly relations between the two countries, has been quietly dropped. Bulgaria's resumption of normal relations with the Union after nineteen years' interruption was marked on Nov. 23 by King Boris's cordial reception of the new envoy to Sofia. Switzerland alone among European nations refuses to admit the Soviet Union to her good graces.

Russia has also improved her relations with Great Britain. One of the few remaining causes of dispute with this country was removed on Nov. 4 by the settlement of the Lena Goldfields controversy. The Union has undertaken to indemnify British investors for losses incurred when this concession was canceled.

THE SOVIET FOOD SYSTEM

The end of 1934 was marked by changes in the internal economic condition of Russia which have a vital bearing on the common welfare. Most striking of these was the abolition of the bread-card system under which the purchase of food supplies by the Russian masses has been controlled and limited for many years. The Commissariat of Internal Trade began in December to transfer the sale of bread and other grain products to the unrestricted open market. The first decrees were limited to 175 towns in which bread had been obtainable only on ration cards, but the announcement of the new policy forecast abolition of the ration system by the end of January, 1935. The change of policy is final proof of the success of the 1934 harvest and the government's grain-collection program.

The significance of these changes to the common man cannot be overestimated, since they open to him the possibility of obtaining supplies of food without limitation by governmental authority at prices determined by the normal forces of trade. There is another aspect of the matter. The bread card system was an instrument of dictatorship which permitted the government to cut off the food supplies of any individual or social group which incurred its displeasure. With all breadstuffs now available in the open market these formerly proscribed classes are granted the right to life.

The abolition of the bread card system was accompanied by a decree on Nov. 30 enacting a 10 per cent increase in all wages throughout the Union. This was done to compensate the workers for the expected rise of food prices after the withdrawal of the ration system. The bread cards set arbitrarily low prices on the limited quantities of grain products that their holders could obtain. How much costs will rise under the influence of supply and demand in the open market is not known, though at the outset the new system tended to fix bread prices about midway between the former ration price and the prices set in the speculative markets. On this basis the workers will experience an increase of some 50 to 60 per cent in food costs; it is calculated that a 10 per cent advance in money wages will offset this change. By the same token the unfortunate groups who were formerly driven by lack of bread cards to get what food they could in the speculative market will profit by a substantial reduction of living costs.

These changes are but part of a general transformation of Russia's commercial life. A report published by the Commissariat of Internal Trade on Nov. 25 shows that during the past two years the merchandising system of Russia has been largely remodeled. Formerly retail trade was

almost wholly in the hands of cooperative stores, open only to Communist members, but by the end of 1934, 73 per cent of the total retail trade had been taken over by ordinary shops where anyone may buy. The new stores are owned by the State and sell at prices substantially higher than those charged by the cooperatives; they offer a wide selection of goods, including many articles of convenience and luxury not otherwise obtainable. The rapidity with which these stores are increasing in number and in the variety of their stocks is revolutionizing the living conditions of the Russian people.

KIROV'S ASSASSINATION

The entire course of political events within the Union during the past year has been such as to convince the foreign observer of the absolute security of the Stalin régime. This conviction has been supported by the rapid liberalization of governmental policy, of which the changes just mentioned are examples. But the assassination on Dec. 1 of S. M. Kirov, head of the Leningrad section of the Communist Party and member of the all-powerful Political Bureau, apparently showed that opposition to the dictatorship still exists. The victim, a revolutionary leader since 1904, was one of the ten most influential men in the country, and a close associate of Stalin. His assassination was the first event of its kind in the past sixteen years and one of three instances of successful attack on individual Communist leaders since the Revolution.

The reaction of the Soviet leaders indicated that they regarded the assassination as a symptom of a widespread conspiracy. They characterized the assassin, a young man formerly employed by the Workers and Peasants Inspection of Leningrad, as the agent of "enemies of the working class." A nation-wide search for members of the terroristic group involved in the crime was launched, while the judicial procedure of the country was altered to permit summary trial and execution without right of appeal of all who were actively or passively engaged in the conspiracy. Within three days seventy-one persons had been arrested and held for trial before military and other tribunals, and on Dec. 5, sixty-six of them were executed.

There were other evidences that complete harmony does not prevail in the Soviet Union. It was made known on Nov. 1 that the Soviet Government had felt obliged to send several thousand disaffected inhabitants of villages bordering on Finland into exile in Siberia. At the same time, the head of the Ukrainian Communist Party, Peter Postishev, warned Moscow that a remnant of the conspiratory group which in 1933 was discovered to be planning a separatist coup in the Ukraine still existed and was actively engaged in fomenting revolt against the Stalin leadership.

Despite the more tolerant policy initiated with the abolition of the Cheka the government has recently administered severe punishment in many scattered cases of "counter-revolution." In the Smolensk region six men were executed in October and forty-seven others sent to prison for conspiracy to sabotage the grain program. News dispatches in November recorded a total of twenty-two death sentences for similar offenses. These are samples of current repressive activity by the government. It would be gross exaggeration to interpret these events as proof of formidable rebellion against the Stalin régime, but they do show that the Stalin dictatorship is not yet in a position to discard its ruthless methods.

Western Ways for Turkey

By ROBERT L. BAKER

ALL but a few Turkish families were occupied during December with the problem of finding themselves family names, for, by a law passed early in 1934, they had to register their choice by Jan. 1, 1935. This reform had been contemplated by Mustafa Kemal for a long time, and was finally undertaken because the old Turkish family names have practically disappeared and the proper identification of each individual so necessary in a country remodeling itself on Western lines had become difficult when a Turk had but one name and that in common with thousands of other Turks. There were too many Alis, Ahmets, Mehmets and Mustafas for police records, army registers and tax rolls to serve their purpose.

For about a year the government simply encouraged families to adopt names, but when this method failed Mustafa Kemal and his advisers resorted to compulsion. On his part President Kemal accepted from the Grand National Assembly the name of Ataturk, or "Father of All Turks." He in turn conferred upon Premier Ismet Pasha the name Inonu, in honor of the latter's victory over the Greeks during the war of independence. Foreign Minister Tewfik Rushdi Bey has chosen to found the family of Aras, or "happy."

Titles are also affected by the new law. After Jan. 1 the time-honored titles of Aga, Bey, Effendi, Pasha, Hanum, Hodji and Hazretle will be illegal and will be superseded by the ancient Turkish forms, Bay for men and Bayin for women. Military titles will be used only in addressing senior officers.

The emancipation of Turkish women achieved under the republic has been so successful that a number of Deputies declared early in December that they would ask the Grand National Assembly to amend the Constitution so as to permit women to vote in legislative elections and to stand for office. Adoption of the measure depends upon Mustafa Kemal's assent.

The Turkish Government struck a new blow at the influence of the Mohammedan clergy on Nov. 27 in a decree which prohibited the wearing of clerical garb except at religious rites. Although the decree was aimed at the Mohammedan priests it gave offense in other quarters. The Greek Government at once protested that Greek Orthodox priests would have to leave Turkey unless the Patriarch at Istanbul changed the ecclesiastical law requiring cassocks to be worn at all times.

New elections, to be held some time during the Winter, were announced by Premier Ismet Pasha on Nov. 16. The international situation was such, he said, that the government and the People's party desired an expression of confidence from the electorate. Ankara's fears that the assassinations at Marseilles might be followed by similar crimes and possibly by war caused the indefinite postponement of Mustafa Kemal's scheduled visits to Moscow, Belgrade and Bucharest.

The desire to develop heavy industry at a more rapid pace has once more led the Turkish Government to seek credits abroad in spite of its antipathy to borrowing. It was announced on Dec. 3 that a German group, in which the Krupps have a large interest, have granted the Turkish Government a long-term credit of about $16,000,000 for the purchase in Germany of railway material and machinery for Turkey's new iron and steel industries.

A NEW DEAL IN EGYPT

The semi-dictatorship which King Fuad has exercised over Egyptian affairs since 1930 came to an end on Nov. 30, when he issued a decree abolishing the Constitution of 1930 and dissolving Parliament. This step, to which Fuad was forced after a protracted political crisis, was welcomed by Egyptians of all classes except a few who were personally interested in the maintenance of the dictatorship. On Nov. 12 Tewfik Nessim Pasha, an independent liberal with Wafdist (Nationalist) leanings, who had been appointed Premier practically on his own terms, at once chose a skeleton Cabinet of non-party men like himself and with its assistance drew up the important decree mentioned above. (The events leading up to the resignation of the puppet Premier, Yehia Pasha, and the appointment of Nessim were recorded in December CURRENT HISTORY, pages 378-379.)

It is believed that Nessim plans a thorough overhauling of the administrative system before arranging for elections to a new Parliament. At least he has so far given no promise of such elections. Nor is there as yet any decision in the matter of a Constitution, though two courses are open. The first is to restore the liberal Constitution of 1923; the second, to draft a new one with the help of a Parliament elected on a broader franchise than has been possible in recent years.

Although Nessim Pasha will probably administer the country by means of royal decrees for an indefinite period, public opinion is sure that he will, as soon as possible, bring about a return to popular government.

Egypt's economic condition as reflected in foreign trade figures for the first nine months of 1934 shows improvement over the same period in 1933. Imports amounted to 20,567,339 Egyptian pounds, as against 19,049,248 Egyptian pounds in 1933. Exports rose from 20,286,110 Egyptian pounds to 20,859,390. If this ratio should have been maintained throughout the rest of the year, 1934 would show the first favorable trade balance since 1928.

PALESTINIAN IMMIGRATION

For the six-month period beginning on Oct. 1, 1934, the Jewish Agency for Palestine was granted 9,700 immigration certificates, the largest quota it has ever received. The agency asked for 18,600 on the grounds of the acute labor shortage. As 2,200 of the certificates were allotted to tourists who had remained in Palestine, only 7,500 were available for new emigrants. Zionist circles in London were confident that a supplementary quota for Jewish laborers would soon be granted.

The number of German Jews who settled in Palestine from April, 1933, to July, 1934, is estimated at 15,000. About 45 per cent of them belong to the capitalist class, and brought with them an average of $10,000 each.

Sir Philip Cunliffe-Lister, the British Colonial Secretary, stated in the House of Commons on Dec. 5 that 627 Jews had been deported from Palestine between Jan. 1 and Nov. 25. This number did not include the tragic and ill-advised group of 318 Jews from

Poland, who paid $25,000 for their passage to Palestine only to be denied permission to land because they lacked the necessary certificates. After cruising about the Eastern Mediterranean for more than six weeks, the Polish Government arranged for them to disembark at Constanta, in Rumania, whence they hoped to make their way back to Poland.

FRENCH RULE IN SYRIA

Syrian Nationalists have been aroused to renewed agitation against the French administration by the action of M. de Martel, the High Commissioner, in suspending the Syrian Parliament on Nov. 3. Petitions of protest against what amounts to dictatorial rule were sent to the League of Nations by the Nationalist party, by its Parliamentary committee and by the President of the Chamber. Demonstrations were at first avoided, but on Nov. 19, when Parliament would normally have met, there were parades in Damascus by students and women, and a Nationalist demonstration against French rule was held in a mosque.

Jewish immigration into Syria is to be permitted, according to an announcement made at Beirut on Nov. 26, on condition that the immigrants bring enough capital to set up some sort of business to give employment to native labor, that they renounce Zionist aspirations and that they do not try to establish Jewish colonies.

AMERICAN PROTEST TO PERSIA

During the recent England-Australia air race the Americans, John H. Wright and John Polando, although their papers were in order, were seized after a forced landing at Abadan, Persia, and delayed so long by minor officials that they abandoned the race. This "lack of consideration" was made the subject of a note from the United States Department of State to the Persian Government on Nov. 9. The note pointed out that, in view of Persia's assurances that everything possible would be done to facilitate the race, the incident made "a most unfavorable impression in the United States."

ITALY AND ABYSSINIA

Despite professions of friendship by Italy and Abyssinia, a certain degree of tension exists between the two governments. The modernization of the Abyssinian Army and recent steps taken by Italy to strengthen the defenses of Eritrea and Italian Somaliland, her colonies bordering on Abyssinia, started rumors of impending trouble and caused anxiety on both sides of the frontier. Anti-Italian feeling in Abyssinia resulted in mid-November in an attack on the Italian consulate at Gondar, near Lake Tana, in which one member of the consulate's native guard was killed and three others were wounded.

Italy at once demanded "prompt and adequate reparation" and troop movements in the Italian colonies were reported. The Abyssinian Government immediately dispatched an official note of regret to Rome, ordered the Governor of Gondar to pay honors to the Italian flag before the Gondar consulate and paid indemnities for the victims. The damages offered for the dead guard amounted to $85.20 at the current exchange, while $12.78 was paid for each of the wounded men. That the Italian Government chose to regard these trifling sums as "adequate" indicates how strong is its desire to cultivate good relations with Haile Selassie and to do nothing that might injure the chances of promoting Italy's commercial interests in Abyssinia.

Japan Piles Up National Debt

By Grover Clark

Worn out by his strenuous but unsuccessful efforts to keep Japan's expenditures for the fiscal year beginning in July, 1935, within hailing distance of probable revenues, Finance Minister Sadanobu Fujii resigned on Nov. 26 immediately after the Cabinet had formally approved the budget he had worked out. He was succeeded next morning by the 79-year-old veteran of Japan's financial troubles, former Finance Minister Korekiyo Takahashi, who held the post in six previous Cabinets, including Admiral Saito's, which fell last Summer.

The new budget, as approved by the Cabinet (it still is to go before the regular session of the Diet in January), carries a total expenditure of 2,190,000,000 yen (about $650,000,000 at present exchange rates), one of the largest in the history of the country. Finance Minister Fujii had set 2,000,000,000 yen as the maximum he would allow. But the army and the navy insisted on substantial increases over appropriations for the current year, and succeeded in forcing him to agree that they should have most of what they demanded. The Home and Agricultural Ministries also had asked for substantial increases to meet the needs for relief following the 1934 floods, droughts, typhoons and agricultural depression, but the sums they demanded were drastically slashed.

The anticipated revenues, it is stated, fall short of the appropriated expenditures by about 750,000,000 yen ($240,000,000), which will have to be made up by government loans to be floated in a domestic market that is already heavily loaded with government bonds from having absorbed nearly 1,000,000,000 yen a year since Japanese troops moved into Manchuria in 1931.

Finance Minister Fujii proposed to increase revenues by an industrial profits tax. The proposal, which brought a sharp decline in the stock market, was fought vigorously by the industrialists and financiers. They said that the levy would yield only about 30,000,000 yen ($8,900,000) and that mere suggestion of it had caused a loss of over 1,000,000,000 yen in security values. So Mr. Fujii dropped the plan for a new tax. One wonders how solid the foundation of Japan's much discussed industrial prosperity in these recent years can be if even to propose so small a tax could produce such serious consequences.

Mr. Takahashi's return to the Finance Ministry was followed by an upward swing in the stock market. This was due partly to a feeling of confidence in Mr. Takahashi and partly to the ending of the uncertainty about new taxes.

The completion of the budget and the change in Finance Ministers came just before the opening on Nov. 27 of a special session of the Diet called to pass an appropriation of 208,000,000 yen ($61,000,000) for relief purposes, the grant to be spread over three years. There was a good deal of advance talk to the effect that the special session, which was to last for

a week only, would be made stormy by sharp attacks on the Okada Cabinet because it had granted complete control of Manchurian affairs to the army, slashed budget appropriations for relief, and failed to deal more constructively with the economic difficulties of the farmers. But the Diet members appear to have been the meekest sort of lambs; at least the cabled press reports for the week of the session made no references whatever to attacks on the government.

The army, which got what it wanted in the way of complete control of Manchuria, has now put at the head of Japanese interests there a man who for years has been known as one of the more aggressive expansionists. General Jiro Minami becomes Commander-in-Chief of the Japanese forces in Manchuria and also, in accordance with the reorganization plan approved by the Cabinet in September, Japanese Ambassador to Manchukuo. As Commander-in-Chief he controls all military affairs; as Ambassador he is in charge of all Japanese civilian interests, including the administration of the Kwantung Leased Territory, the South Manchuria Railway Zone (including the Railway Company itself) and the consulates.

General Minami, who was named for this dictatorial position on Nov. 27, in succession to General Takashi Hishikari, was Japan's War Minister during the Summer of 1931 and at the time of the Manchurian coup on Sept. 18 of that year. On Aug. 5, 1931, he came out with a vigorous statement opposing the Cabinet's plans to reduce the army and declaring that the "serious" Manchurian problem would "exist for a long time." As War Minister he shifted troops from Korea to Manchuria late in August, 1931—before the coup.

The protest of the Japanese civilian authorities in Manchuria, including the Leased Territory police, against the army's plans for reorganizing the conduct of Japanese affairs there has quieted down. The available reports do not indicate what measures were taken to end the virtual strike of the police. But Colonel Doihara, of Mukden incident fame, was sent over to Dairen witk special authority to deal with the protesters.

MANCHUKUOAN MONOPOLIES

Whenever the Minister of Finance of Manchukuo—with the advice of his Japanese assistant, of course—thinks that the right time has come, he needs only to say the word to put into effect the oil sales monopoly in that country against which the American, British and Netherlands Governments have been protesting to Japan since last June. The law for the establishment of the monopoly was promulgated on Nov. 14, the date for its enforcement being left to the Finance Minister.

On the promulgation of the law the United States and Great Britain made new and vigorous protests which, like the preceding ones on the same subject, were separate, though, it is stated, of substantially the same tenor. Again the protests were addressed to the Japanese Government and delivered through the American and British Ambassadors in Tokyo, in spite of the repeated statements by Japan that she had and could have nothing to do with the actions of the Manchukuoan Government in this case because Manchukuo is an independent State and an oil monopoly is a purely domestic matter. The British protest was handed to Foreign Minister Hirota on Nov. 24, and the American note a few days later.

In these latest protests, according to the reports, the two governments

reassert, with considerable vigor, the contention that the oil sales monopoly will violate the Open Door principle, observance of which is guaranteed in treaties and in statements by Japan and Manchukuo. The notes, it also is reported, insist that Japan cannot evade responsibility for what Manchukuo does in this case.

The Japanese authorities so far have stood firm on their contention that Manchukuo's oil monopoly was no concern of theirs. On Nov. 15, the day after the law was promulgated, Ambassador Saito in Washington intimated that Japan might act as mediator between Manchukuo, Great Britain and the United States, and even that perhaps the monopoly would not be enforced. But the very next day a statement issued in Tokyo emphatically repudiated any suggestion of Japanese mediation. A "high official" in the Tokyo government, commenting on the latest American and British notes, was quoted as declaring that Japan's refusal to assume any responsibility in the matter had not been shaken. "Diplomatic action cannot bring the solution nearer," he said. "Fundamentally, it is a matter of business, and the business men involved should negotiate directly with the Manchukuoan Government." The persistent British and American protests, he added, were stiffening the attitude of the Japanese people.

The monopoly law provides that the Manchukuoan Government is to monopolize all petroleum products (except lubricants). Manufacture, import and export is to be permitted only to holders of government licenses. The government will buy all such products manufactured in Manchukuo or imported under license, and sell them to the sole distributers, though it may deal directly with important customers. The sole distributers will be required to store certain quantities. Pe alties are specified for violation of th law. The available reports do not in dicate that the term "sole distribu ters" is mentioned in the law, thoug earlier accounts stated that all sal would be in the hands of the Ma churia Oil Company. Eighty per ce of the stock of this concern is owne by Japanese, and the Japanese Go ernment has a large indirect sha through the South Manchuria Rai way Company. One of the princip grounds for the charge that the m nopoly will violate the Open Do principle is the substantially Japane character of this company.

Another law, also promulgated o Nov. 14, deals with the purchase b the Manchukuoan Government of th storage and distribution equipment o the companies now engaged in sellin oil in Manchuria. On application wit in a month of the enforcement of th law, the government, it is stated, wi buy such of this equipment as is a tually used in the oil business, th price to be fixed by the government appraisal committee. In other word the foreign oil companies will recei no return whatever for the good-wi they have spent many years and co siderable sums of money in creatin

Plans are now being made in Japa to finance life insurance, cement an steel tubing monopolies in Manch kuo. This would also violate th Open Door principle, even if Japane rather than Western companies a ready do the larger part of the bus ness, whereas of oil sales, America British and Netherlands compani have about 80 per cent.

Still another move in Manchuria reported as evidence of the Japane determination to establish exclusi control of business there. This has t do with automobiles. An agreeme had been worked out whereby th

Dodge and Chrysler interests would unite in building an assembly plant at Dairen to facilitate the sale of cars in Manchuria. This plan has had to be dropped because of opposition by the Japanese authorities. Dairen, being in the Kwantung Leased Territory, is not under the jurisdiction of the Manchukuoan Government. At the same time, a Japanese company manufacturing and assembling trucks and buses in Dairen is, according to report, being encouraged by the authorities.

CHINA'S LOSS OF SILVER

In an effort to stop the heavy outward flow of silver from China, which has been in progress for several months, the Nanking Government on Oct. 15 put into effect a tax of 10 per cent on silver exports. A number of minor adjustments of the regulation have been made since then. As the law now stands China has what is in effect a managed currency, at least for international trade purposes.

The imposition of the export tax followed the exchange of several notes between Nanking and Washington, in which the Chinese Minister of Finance called attention to the fact that the American silver purchase policy was injuring China and not helping Americans who wished to sell goods to that country. The rise in the price of silver as a result of American silver purchases, Finance Minister Kung said, lowered China's capacity to export goods and hence reduced her ability to pay for imports. He made the suggestion that the United States confine its purchases to silver already in the country. Secretary of State Hull, in reply, pointed out that the administration was acting under a mandate from Congress, but, he added, everything possible would be done to avoid contributing to the economic difficulties in China. Experience during these past several months has shown fairly conclusively that those who believed a rise in the exchange value of silver would be a great stimulus to American exports to China were wrong.

THE CHINESE COMMUNISTS

Nanking's drive against the Communists in the Yangtze Valley continues. The former Communist capital, Juikin, in southern Kiangsi Province, was reported as captured on Nov. 12. But Chiang Kai-shek's attackers found only a small band of defenders there; the main Communist forces had gone elsewhere through the mountains. Official reports continue to tell of the wiping out of large numbers of Communist soldiers, of the capture of many prisoners, of wholesale desertions to the Nanking side. On the other hand, the Communist forces seem to be moving steadily westward, in considerable numbers, toward and into Szechwan Province. The efforts to stop their advance in this direction as they withdraw under pressure from Nanking's armies in Kiangsi and Hunan have apparently failed.

Siamese King's Abdication Move

King Prajadhipok of Siam is upsetting all the traditions of how absolute monarchs, especially Oriental monarchs, should behave. Instead of slyly manoeuvring to undermine the constitutional régime that was introduced by the revolution of 1932, he is fighting to protect what he considers the fundamental rights of his people against the arbitrary abuse of

power by the constitutional government. And the constitutional authorities, apparently alarmed by the prospect of trouble with the people if the exceedingly popular King does insist on carrying out his announced intention to abdicate, are trying to persuade him to keep his throne. Accordingly on Nov. 7 they sent the President of the National Assembly, the Secretary General of the National Council (the Cabinet) and the Secretary of Foreign Affairs to England, where the King is at present undergoing treament by eye specialists.

On the day after the mission left Bangkok, Nov. 8, which was the King's forty-first birthday, the Premier made a heart-stirring speech to the effect that the people of Siam wanted their beloved King to continue to rule, and expressed the belief that the King would not abdicate. This added another ironical touch to the whole affair since this same Premier is the very person who forced through the National Assembly the bill that was the direct cause of the King's decision to abdicate.

Prajadhipok, who received his education in England, became King of Siam in 1926. In 1932 he acquiesced with obviously pleased eagerness in a bloodless revolution that transformed his government from an absolute to a constitutional monarchy and, incidentally, largely destroyed the influence of various troublesome members of his family. Since then, he has had various disputes with the National Council and the National Assembly which were established under the 1932 Constitution.

The latest quarrel grew out of the passage by the National Assembly over the King's veto of a bill that amended the criminal code. Men condemned to death, according to the bill, were to be given sixty days of grace. During this time they might appeal to the King, who had the right of pardon. But a pardon required the counter-signature of the Premier. Disagreements or other circumstances might delay final action on a pardon beyond the sixty days of grace, and so the condemned man might be executed in spite of the King's desire to save him.

This bill, said the King, deprived him of the prerogative of "life and death" which rested with the throne by immemorial custom.

As the law stands it would be possible for a clique in office to kill off its opponents by trumping up charges against them, forcing the courts to pass death sentences and then heading off any pardon by the King until after the sixty days of grace had expired. This is precisely the danger that the King fears. He insisted therefore that the law should be changed so that if a petition for mercy had been submitted by a condemned man, execution could not take place until the petition had been acted on.

Since the bill deprived him of the opportunity to protect his people, he declared in a statement issued in London on his behalf on Oct. 27 that he wanted to abdicate.

That King Prajadhipok personally would find it more pleasant to shake off the responsibilities of office seems fairly clear. But he is decidedly popular with his people, and he takes his responsibilities seriously. G. C.

CURRENT HISTORY

FEBRUARY 1935

Why Fight Japan?

By George E. Sokolsky*

EUROPEANS have come to regard war between the United States and Japan as inevitable. Soviet Russia, since 1924, has predicated her Far Eastern policy upon the assumption that such a war would ultimately occur, and with American public opinion ever in mind has raised or lowered her tone toward Japan. China has never been quite able to understand the policy and attitude of the United States, because while American policy since 1915 has seemed to be aggressively anti-Japanese, American action has been limited to writing notes and delivering speeches—something which the Chinese themselves do far better.

The Japanese have been puzzled. To them the attitude of the United States has surpassed all understanding. Until 1906 the United States seemed to be Japan's mentor and protector; since 1906 the United States has been a stumbling block in what the Japanese insist is a struggle for equality and security. What, they ask, has brought about this change of relations? Why should the United States seek to limit, to hamper—in fact, to destroy—Japan as a primary power?

American public opinion has undoubtedly been growing more and more anti-Japanese every year. There are many Americans who now believe that war with Japan is inevitable, although it is difficult to discover as many who are prepared to analyze the issue out of which such a war may arise or the advantages that may come from victory. Whether this anti-Japanese feeling is grounded in reality, is emotional antagonism to an aggressive nation or is a product of an increasing friendliness toward China and the Soviet Union does not matter. The fact remains that the objective enemy of the United States has become Japan.

A war between the United States and Japan can have no immediate economic basis. American opinion is undecided whether the export of capital

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and the stimulation of foreign trade are advantageous policies. The current attitude is clearly in the direction of economic nationalism, and that would reduce foreign trade and export capital to a minimum. If this policy should be pursued to its logical conclusion, then the Far Eastern markets for our goods or investments can be of no importance to us.

Actually, in 1931 Japan had invested in China, including Manchuria, nearly $1,500,000,000. This investment has since been increased enormously by loans and investments in the new State of Manchukuo, the complete figures not yet being available. The United States, on the other hand, had in 1931 an investment in China, including Manchuria, of nearly $200,000,000, or not quite one-seventh of Japan's investment. This amount has not increased. The American interest in Manchuria has never been more than a nominal real estate investment of a few million dollars.

Even in the depression year 1933 American trade with Japan amounted to $271,855,000, and with China to $102,249,000. During that year American trade with Japan increased by 6.6 per cent and with Manchuria by 126 per cent; American exports to China decreased and imports from China increased.

Thus it is obvious that American antagonism to Japan does not arise from Japanese attacks on a market that either has been highly developed by American business or is at present of importance to us. In any case, the total trade between the United States and China and Japan amounts to only $370,000,000, which is less than 10 per cent of our foreign trade.

If the United States, on the other hand, should determine upon a policy of exporting capital for the development of backward, low-subsistence countries, or if the economic nationalism of the New Deal should prove erroneous and futile, then the picture would be altogether different. China presents a vast potential market because its four or five hundred million people live on such a low subsistence level that any rise at all, no matter how much limited, would result in increased purchases of manufactured goods. Furthermore, as the industrial revolution gradually encompasses larger areas in China, the Chinese will have to import from abroad increasingly large quantities of capital and machinery. In this field the United States can play a principal rôle and would compete with Japan.

It is impossible, however, to assume that a war involving the United States will take place over a potential market, particularly when the trend is to raise prices in this country so that even durable goods become prohibitive in a low-subsistence country. If the stake were tangible, war might be regarded as reasonable to win and hold such a market, but our tariff policy, our NRA policy and our silver policy indicate that the United States does not consider the China market as a factor in economic recovery. Why, therefore, should we go to war for such a market?

Japan, nevertheless, fears the possibility of American competition, particularly in Manchuria, where she has been pursuing a policy by which foreign, including American, goods must be subordinated in that market to Japanese goods, and must be sold through Japanese firms. Potentially this policy is meaningless because, if China and Manchuria are to be modernized, no one country, surely not Japan, can supply either the quantity or the variety of goods and services required. Yet Japan's attitude is re-

sented and has been accepted as a frontal attack on American trade.

The Russians do not believe that the New Deal will succeed. They generally hold that it will be impossible for the United States to put its vast industrial and agrarian population back to work without developing foreign markets. They maintain that the capitalistic system of distribution makes it inevitable for the United States ultimately to seek such markets and that China offers a favorable arena for American economic exploitation. Therefore, the argument proceeds, if the New Deal should fail, it will become necessary for the United States to enter the China market aggressively. This the Japanese fear as well. Some Japanese go even further. They fear that if re-employment fails in the United States, a war with Japan may become an economic necessity. It is this fear which is played upon by Japan's apostles of a big navy.

But potentialities and fears of the failure of recovery in the United States cannot altogether be accepted as a premise for a war. The potentialities of the China market have always existed; yet no world war has occurred because of them. Nevertheless, Japan constantly finds new reasons for fearing the United States. Similarly, the United States discovers new reasons for distrusting Japan. These fears and distrusts are not grounded in the economics of the Pacific. They are psychological and historical; they are often without solution because they are intangible.

Viscount Kikujiro Ishii once wrote: "Ever since Japan's entrance into the family of modern nations in the middle of the nineteenth century her diplomacy has striven, and still strives, to attain two objectives—equality and security."

In this search she has been notably assisted by the United States. After Commodore Perry, in command of an American fleet, opened Japan to Western economic and political processes, the United States in 1855 sent Townsend Harris to Japan as its first Consul General. Undoubtedly it was Harris who opened the eyes of the rulers of Japan to the world about them, to the dangers of European imperialism, to the necessity of bending their energies in the direction of equality and security.

As soon as Japan emerged from her isolation, her prospective enemy was clearly Russia, which had already begun to move into Manchuria and Korea and the islands to the north of Japan. Japan was protected from Russia, in a manner that the Japanese cannot fail to recognize, by the attitude of the United States. John Hay's Open Door policy was aimed largely at Russian aggression in Manchuria. There can be no question that President Theodore Roosevelt gave the Anglo-Japanese Alliance tacit support. When war broke out between Russia and Japan in 1904, the United States helped to finance Japan, and Theodore Roosevelt definitely indicated to Germany and France that if they supported Russia against Japan, as they had in 1895, Japan would receive the support of the United States and Great Britain. When it was advisable to end the war while Japan was still the victor, Roosevelt called a peace conference at Portsmouth and Japan gained an empire.

Until that moment, no two countries could have been more friendly. Japan imitated American ways; the United States supported Japan's development as a modern State. Then began a series of misunderstandings which have not yet ceased.

Immediately after the conclusion of

the Russo-Japanese War, E. H. Harriman embarked upon the enterprise of a railroad around the world. Japan's bankers and Harriman's bankers were Kuhn, Loeb & Co., and Harriman had an inside track to the Japanese. By the Treaty of Portsmouth, Japan obtained the South Manchuria Railway. Harriman tried to get control of the railroad, which was to have been operated by a Japanese-American company under his control. The effort failed, but the Japanese people believed that American capital, supported by the United States Government, was trying to steal the fruits of victory from Japan. From that moment Japan blocked every American scheme of railway investment in Manchuria. Usually it was maintained that the American proposals infringed upon Japan's treaties with China either by paralleling the South Manchuria Railway or by voiding clauses in loan agreements. Japan managed to keep American capital out of Manchuria.

Since Harriman's ambitious project was launched almost immediately after the Japanese people had come to believe that the United States had prevented them from collecting an indemnity from Russia, a general anti-American sentiment arose. This was strengthened in 1906 by the San Francisco school incident. The Board of Education of San Francisco required Japanese children to attend an "Oriental" school, formerly used only by Chinese. This was a direct attack on Japan's assertion of equality. Although the measure was abandoned, it marked the beginning of anti-Japanese feeling on the Pacific Coast and it stimulated anti-Americanism in Japan.

To Californians and other Pacific Coast inhabitants the problem of extensive Japanese immigration is principally economic. Japanese and, even more, Chinese farmers can produce crops so cheaply that American farmers cannot compete with them. Living costs of the Japanese during the first or second generation in the United States are based upon a subsistence level offensive to Americans. Californians do not choose to believe that in several generations the Japanese farmer will adopt the American standard of work and life, as did the sweat-shop immigrant in New York. Californians simply do not want the Japanese under any conditions.

As long as this issue was only between California and Japan, Japanese public opinion, although antagonistic, did not become virulently anti-American. A "gentleman's agreement" was entered upon for the voluntary limitation of immigration, and the statesmen of both countries sought a graceful solution. But gracefulness is impossible in quarrels involving racial antagonisms. The Japanese resented the implications of racial inferiority; Americans were excited by mass publicity and pressure to believe that sooner or later the Japanese would inhabit our Pacific Coast. This fear was expressed in the 1924 immigration act, which definitely reduced the Japanese under American law to the position of an inferior race.

No issue between Japan and the United States equals this one in importance. If under our immigration system large numbers of Japanese could enter the United States under a quota, then it might be possible for the Japanese Government to explain to its people that the 1924 immigration act was not discriminatory, but the fact that more Japanese can enter the United States now than would be possible under a quota similar to that prescribed for European immigrants, definitely limits the issue to race. Nothing that has occurred in

our relations with Japan has offended her people as much as this act of Congress; no barrier to friendship and peace between the two countries stands as high. So far as the Japanese are concerned, it is the sole issue over which some day a war may be fought.

Apart from the racial issue, numerous incidents since 1915 have strained relations between the two countries. In that year, when all the world was at war, Japan formulated the Twenty-one Demands which would have given her suzerainty over China. The United States was the only country to protest and effectively to neutralize most of the demands. Before the 1915 treaties were signed, William Jennings Bryan, as Secretary of State, enunciated a doctrine that has recently come to be known as the Stimson Doctrine voiding commitments between China and any other country that impair American rights under the treaties or China's administrative and territorial integrity or the Open Door policy.

To Americans the Twenty-one Demands symbolized Japanese determination to utilize any opportunity to extend influence over China; to the Japanese, American emphasis upon the rejection of the demands indicated that, no matter what the circumstances might be, the United States would block Japanese expansion. Since 1915 the American tendency has been to distrust both the words and the acts of the Japanese Government, while in Japan every effort at expansion has included a calculation of the effectiveness of American opposition and hostility.

It is true that subsequently this strain was somewhat relaxed by the Lansing-Ishii agreements, in which Japan's special interest in China was recognized by the United States. But between 1918 and 1921 the relations between the United States and Japan developed such antagonisms that those of us who then lived in the Far East believed that war might break out at any moment. That war did not occur in 1921 was due in a very large measure to the brilliant diplomacy of Charles Evans Hughes, then Secretary of State.

The first years of the World War found Japan an ally of Great Britain, but an inactive ally. Not until the Russian revolution did Japan enter the struggle. Before that she had seized the German possessions in Shantung, holding them practically as Japanese territory, to the consternation of the Chinese and the general annoyance of British and American traders in China.

After the Bolsheviks had taken control in Petrograd and Moscow, Siberia lapsed into anarchy. The United States had agreed with the Kerensky government to operate the Transsiberian Railroad, the Americans so employed to be servants of Russia and to represent no American interest. But before this agreement could be put into effect Kerensky fled, and Siberia and its railroad were in the hands of numerous, conflicting factions. There can be no question of the sincerity of the Japanese fear of the Bolsheviks. An anti-monarchical, anti-capitalist revolution involved the possibilities of trouble in Japan, which is only a few hours from Vladivostok. But the methods employed by the Japanese were questionable and offensive to the United States.

In the first place, the Japanese army for months blocked the restoration of the Transsiberian Railway by the American Mission. The Japanese Foreign Office was often not as well-informed as to the activities of its military men as we were. It became difficult to accept assurances given

by the Japanese Foreign Office, for it seemed unbelievable at first that it was not consulted by the military men. When cooperation among the Allies was sorely needed, Japan seemed to be playing a lone hand and gave the impression of having as her object the seizure, and possibly the annexation, of Siberia east of Lake Baikal and possibly the whole of North Manchuria. Japan, moreover, supported obscure and often disreputable White Russian groups in Siberia and in an intrigue over the Chinese Eastern Railway stood by General Horvat, a Russian intriguer, against American policy.

The lengthy conversations between the United States and Japan over the two railways, the Transsiberian and the Chinese Eastern, were always polite and proper, but the feeling was keen in the United States that Japan was again taking advantage of even her own allies. The Japanese, on their side, could maintain, first, that they were instigated to adopt their Siberian policy by Great Britain and France and therefore were true to their allies; second, that American capital, at least so they believed, was seeking to utilize the railroad for the exploitation of the Siberian and Manchurian markets to Japanese detriment; and finally, that if they could gain advantages in Siberia at the expense of the Bolsheviks, why should the United States, which opposed Bolshevism, stand in the way?

In a word, the United States distrusted Japan; Japan feared the effects of American suspicion and antagonism. Both attitudes were stimulated by special interests in the two countries. The Americans in China, excluded from war participation by their geographical situation, undoubtedly talked too much, and the Japanese attributed to them an importance they did not possess. In addition, the Japanese Army and Navy saw a chance to obtain increased appropriations and gain in prestige.

When Japan came to the peace conference, her position as the leading nation in Eastern Asia was socially recognized. But the Japanese suffered an ignominous defeat on what they regarded as the most important question of all—racial equality. When they sought to have that principle inserted in the peace treaty, it was rejected by President Wilson. The fact that he stood by Japan on the Shantung issue or that the United States withdrew its protest against her mandate over former German possessions in the South Seas did not and could not mitigate this slur upon the Japanese as a race. Probably few people in the United States remember this discussion, but every Japanese schoolboy knows that the United States blocked Japan's effort to have a declaration of racial equality inserted in the treaty.

In 1920 negotiations were begun that added to Japanese fears of American policy. The Sinclair Oil Company made an arrangement with the Far Eastern Republic, a Soviet-controlled buffer State, for the exploitation of the oil deposits in Northern Sakhalin. As the Sinclair Oil Company was known to be close to the Harding administration, the Japanese assumed that the arrangement had official sanction.

The island of Sakhalin, by the Treaty of Portsmouth, was held jointly by Russia and Japan, the latter taking the southern half. In 1920, as part of the Siberian expedition, the Japanese occupied the Russian half, but in the same year the Sinclair Oil Company began its negotiations. To the Japanese this could only mean that the United States was again

blocking Japanese expansion, this time in the interest of a country that the United States did not recognize. Since Japan is poor in oil deposits, while the United States possesses more oil than it requires for domestic consumption, the Japanese concluded that the American Government was using the Sinclair Oil Company politically to prevent Japan from gaining oil territory. The only objective of such an attitude on the part of the Americans, the Japanese felt, was to deprive Japan of a defensive commodity. It meant to them that the United States had warlike intentions.

Fortunately for the peace of the Pacific, the Sinclair Oil Company lost this concession, and when Russia again secured control of Northern Sakhalin, a concession was given to a Japanese oil group. Otherwise this might have become the signal to start a war.

Secretary Hughes in 1921 called the Washington Conference to end the tension between the United States and Japan. Japan came out of the conference only second best. The Anglo-Japanese Alliance was not renewed; Shantung was returned to China (indirectly, but nevertheless returned); the Nine Power Treaty, embodying the traditional American protection of China, was incorporated in international law; by the limitations of armaments treaties Japan accepted a place second to that of the United States and Great Britain.

The conference, nevertheless, did appease Japanese public opinion and did lessen the anti-Japanese feeling in the United States. Big navy men and the Pacific Coast were more concerned with the joys of the Harding and Coolidge prosperity than with using Japan as a propagandist symbol; Japan was busy with the restoration of Tokyo and Yokohama after the great earthquake of 1923 and with the protection and development of her trade and position in China. For eight years, from 1922 to 1930, except for the 1924 immigration act, an era of good-will between the two countries was evident.

This was disrupted by the naval conferences of 1930 and 1934 and by the Manchurian incidents. In both connections the American attitude toward Japan was definitely hostile. In both connections there was constant revival of war talk in both countries. In regard to naval equality, the Japanese cannot understand why we object to parity if we do not expect a war; the United States does not understand why Japan should insist upon parity if she does not expect a war. In respect to Manchuria, the United States generally felt that Japan, as at the time of the Twenty-one Demands, the seizure of Shantung and the Siberian Expedition, could not be trusted. Japan, it was believed, would take advantage of every opportunity to expand to the detriment of anybody and everybody. Furthermore, no treaties or arrangements could be made binding on Japan; nor could Japanese official statements be relied upon, because one branch of the government might not know what the other was doing.

The Japanese, on the other hand, became convinced that hereafter, no matter what Japan did to grow and expand, the United States, with or without reason, would utilize every means to block Japan. The Japanese particularly resented the fact that, while the United States had declined to join the League of Nations or recognize Soviet Russia, American cooperation with the League and recognition of Soviet Russia became possible as part of the anti-Japanese policy. Henceforth, every act of the

United States in the Pacific was bound to be viewed as directly antagonistic to Japan.

Nothing in this survey makes for war. It does make for unpleasantness, distrust and fear. Geographically, war between the two countries is difficult. Politically, neither country wants war. Economically, such a war would destroy Japan. If the United States and Japan were isolated countries, such a war would never take place.

The fact is, however, that the two countries are not isolated. China looms everlastingly as a possible battlefield for Japan. Some day China may attempt to regain Manchuria by military force. Some day Japan, for one reason or another, may seek to extend her influence to China proper. Some day an incident may occur in the Philippines involving a Japanese landing party as we land marines in Haiti and Nicaragua. Some day Japan and Soviet Russia, now that their boundaries run together, may become embroiled. The complications in these situations are obvious and need not be considered in detail here, but the implication must be stated—that so long as America distrusts Japanese intentions and purposes, and the Japanese fear the effects of American policy and power, every Far Eastern situation involves the danger of misunderstanding and possible war.

Yet this fact also makes for peace. Japan realizes that in no war will the United States stand alone. Great Britain and the Netherlands cannot ignore the emergence of Japanese hegemony in Eastern Asia, and, in the event of a war between the United States and Japan, no power in London could prevent the British dominions from supporting the United States. Canadian, Australian and New Zealand policy in the Pacific is tied to Washington rather than to London. The Netherlands would have to protect the Dutch East Indies, which can give Japan a vast oil and rubber supply, and Great Britain would have to protect the Malay States, which can give Japan a vast mineral supply. In the event of such a war Soviet Russia and China would bargain for advantages, and the United States would easily have more to offer, because, having no stake in Asia, she can afford to be generous.

The cards are stacked against Japan in such a combination. The Japanese know it and will maintain the peace until national dignity makes peace meaningless. But there can be no advantage in the mere frightening of a country like Japan, for, if driven to extremities by American unfriendliness and suspicion, the Japanese will choose to commit national suicide. They are quite capable of risking destruction for the sake of pride.

To end talk on the American side Japan should—and now that she has Manchukuo she can afford to—govern her international relations according to the rules of today and not those of the last century. It may be true, as the Japanese believe, that the United States has injected into international relations a morality that did not exist before Japan entered upon her imperialistic career. It may be true, as the Japanese insist, that she deserves commendation for her achievements during the past eighty years. But the direction of international relations is toward disarmament and peace, and Japan can afford to sacrifice pride for peace, now that she has achieved the great goal of her historical development, the acquisition of Manchuria.

The Crusading Mr. Nye

By E. FRANCIS BROWN

SINCE the day Gerald P. Nye entered the United States Senate he has been a thorn in the side of all conservatives, of all who are content with the established ways of economic and political life. He has been a crusader and, like that famous American crusader of the nineteenth century, he will not equivocate and he will be heard. From North Dakota he has brought a deep-seated distrust of Wall Street finance and of large-scale industry and a sincere and abiding affection for the little fellow. Yet he is less a radical than an old-fashioned liberal, for his point of view is agrarian rather than industrial. The difference can be significant.

Senator Nye has been called, not inaptly, the "Wat Tyler of the prairies." In the face of agricultural disaster and a growing concentration of wealth, he stands forth as the champion of the farmer, the small shopkeeper and the consumer. This has led him into strange byways where fearsome dragons lie in wait; yet in every instance he has emerged, if not triumphant, at least bigger in stature. While opponents have sought to suppress him and called him names—"North Dakota hound of heaven" and "thunderbolt of war" are among the more complimentary—he has gained national influence and distinction.

Until the Fall of 1925 Nye was almost unknown. Then, not quite 33 years old, he sprang fully armed from his North Dakota prairie into the Senate chamber at Washington and suddenly became a political issue.

When Edwin F. Ladd, North Dakota's liberal-minded Senator, died in the Summer of 1925 there were many aspirants for the vacant seat. Should his successor be appointed by the Governor or chosen at a special election? In Washington the following December that question was argued on constitutional grounds, but in North Dakota it involved practical politics. The Governor, Arthur G. Sorlie, wanted to be Senator; obviously he could not appoint himself and a special election entailed risks. So he delayed until the prospective candidates and their supporters forced him to act. Then, by a manoeuvre which has never been satisfactorily explained, he sprang a surprise by giving the office to a man who had not been regarded as even in the running. This was Gerald P. Nye, editor of the *Sentinel Courier* at Cooperstown.

Nye's astonishment could hardly have exceeded that of his fellow-North Dakotans. His career had certainly not prepared him for a Senatorship. Born in Hortonville, Wis., on Dec. 19, 1892, he had passed his boyhood in another Wisconsin village, Wittenberg, where he graduated from its high school. These formative years coincided with the period during which Robert M. La Follette was awakening the social conscience of Wisconsin. Through his direct influence social and political reforms were adopted with startling rapidity. Income and inheritance taxes, workmen's compensation, railway-rate regulation and conservation of natural resources were

only part of the "Wisconsin Idea" which was debated and discussed in every town and village of the State. Nye, an alert, wide-awake boy, could not escape the impact of the "Idea" nor fail to be aroused by the argument going on about him. That he was deeply influenced by this environment his later career abundantly testifies.

Before Nye was 20 he returned to Hortonville to take over a local newspaper. Thereafter, except for a few months on the *Des Moines Register*, he was continuously engaged in country journalism. By 1919 he had become editor and publisher of the Griggs County *Sentinel Courier* at Cooperstown, N. D.

Nye settled in North Dakota just as the Farmers Non-Partisan League approached its high noon. That organization of radical agrarianism dominated the State. At the legislative session of 1919 State supervision of the public grain elevators and flour mills and of the Bank of North Dakota was inaugurated. The league forced through a graduated income tax, and eight-hour day for women, workmen's compensation, State hail insurance and other liberal proposals. Though the league's program seemed radical, it was merely another phase of the farmers' prolonged struggle to escape the domination of great corporate interests. Radical though the farmer might be, he was after all a capitalist seeking only to protect himself against other and more powerful capitalists.

With his own rural background and his Wisconsin education, Nye responded naturally to Non-Partisan ideas. His editorials echoed them and he was also outspoken in his dislike of the Republican régime in Washington. Thus he wrote on one occasion: "This has been an age of buncombe, personified most materially since the advent of Calvin Coolidge." Such words did not endear the editor of the *Sentinel Courier* to Republicans, but they pleased the Non-Partisans, who, despite reverses, still ruled North Dakota. And they attracted attention to young Mr. Nye, who in 1924, while supporting La Follette for the Presidency, lost an election for Congressman. But defeat meant little. There would be other campaigns and his appearance on the hustings had won him some prominence. Then came the surprise.

Twelve days before his thirty-third birthday the new Progressive-Republican Senator from North Dakota prepared to take the oath of office, but for more than a month he had to cool his heels while the Senate Committee on Privileges and Elections examined his credentials and the Senate debated his eligibility. Had the Governor of North Dakota the power to fill a Senatorial vacancy by appointment? That was an issue which might never have been raised if Nye had been a Republican in good standing. For days the Senators quibbled—Tom Heflin of Alabama called them "technical lawyers who would amend the Lord's Prayer"—until on Jan. 12, 1926, by a majority of only two votes, they allowed Nye to take his seat. The Wichita *Eagle*, recalling that the new Senator was a nephew of Bill Nye, the humorist, believed that he would need "the family trait in his present job." After the Congressional elections in the following November he was Senator in his own right.

In Nye, whose appearance at that time was distinguished chiefly for a high-water haircut and yellow shoes, American small-town life had a representative who would fight monopoly and privilege with indomitable courage and religious zeal. By nature and association he sympathized with the

plain, everyday people whom the rulers of America tended to forget. In his own State he had observed the far-reaching tentacles of modern finance. He had seen hard-working, honest neighbors ruined in 1920 and 1921 by the deflationary policy of the Federal Reserve; he could not forgive the bankers for that. Nor could he find much good in a tariff that bore harshly not only upon the wheat farmers of North Dakota but upon all American agriculture. Though the passing years have added to Nye's experience and knowledge, he remains loyal to the small town and its people. Their interests are still his interests. They can look up to him as a home-town boy who has made good.

Nye had little patience with Republican administrations. He laughingly suggested that the password for Cabinet meetings was "knub," which, he explained, was "bunk" spelled backward. He criticized the Coolidge-Mellon taxation policies and the lack of a farm policy. He attacked the war-debt settlements and insisted that in all fairness the farmers' debts should be scaled down, just as had been those of foreign debtors. Moreover, he declared in the Summer of 1926, the Coolidge administration was dominated by bankers and industrialists who did not want to see agriculture on "an even footing with protected industries." He had already given notice that he would "exert every effort for the relief of the farmer, who * * * is the only one who has not received what is coming to him since the war."

Once in the Senate Nye did exert every possible effort for farm relief. With his colleagues in the Progressive bloc—William E. Borah, Smith W. Brookhart, Lynn J. Frazier, George W. Norris and Robert M. La Follette Jr.—he agitated ceaselessly for a program that would lift the burden from the farmers' shoulders. In the late Twenties this meant the McNary-Haugen bill with its various measures for disposing of surplus farm products. Administration hostility and Presidential vetoes could not quiet Progressive pleading.

Farm relief became a campaign issue in 1928. At the Republican convention in Kansas City Nye opposed Mr. Hoover's nomination because of his apparent disregard for the American farmers' plight. "This man Hoover," wrote Nye, "whom some are trying to drive down our throats, believes that agriculture is improving. If agriculture is improving, it is dying of improvement." Nye's candidate, significantly enough, was Senator Norris of Nebraska. But in the end, Nye, apparently convinced that Mr. Hoover might after all do something for the people of the prairies, swung over to his support.

The Federal Farm Board, which the Hoover administration sponsored, won Nye's vote and allegiance. Those were honeymoon days when, after a White House meeting, he could say: "I came away satisfied that the President would name a farm board that was farm-minded and one which would not have the point of view of the grain men and capital." He was to be sorely disillusioned and to feel ultimately that the Farm Board had been deliberately sabotaged. That feeling helped to change him into one of President Hoover's bitterest opponents.

After 1929 the farmers had companions in misery. The paradox of poverty in the midst of plenty was at last recognized, and Nye wondered about a system that permits "a third of the population, that third resident upon the farms of America," to go without the necessities of life and to be unable to pay their debts because

they have produced too much. Yet, at the same time, "another third of our population is in dire want of the very thing which those farmers have produced too much of."

Though the general depression made Nye more keenly conscious of the disadvantages of modern capitalism, they were not new to him. He had talked for years about "greedy capitalists." He had repeatedly challenged the strength of large-scale business and finance and he had indignantly pointed to the increasing concentration of capital which left the rich richer and the poor poorer. For his part, he had made it clear there could be no compromise with wealth. To iron out some of the inequalities, he supported all moves for higher inheritance and income taxes but, being always in opposition, he could do little.

He had acquired a hatred of monopoly capitalism from the elder La Follette. "Monopoly," Nye declared, "can lay scarce claim to creating anything. It reduces the number of persons employed and pays wages below a living scale. It is not creative of new business. It is the cancer that feeds upon the flesh of a living organism and threatens its life. Wherever it touches there is death, both to the town and individual enterprise. * * * When competition is destroyed the consumer and the producer suffer. * * * It must be admitted that a government is not worthy of the name unless it can protect its people against oppression and particularly oppression by the very creatures of which it is the creator."

No man with these views could be expected to show much affection for chain stores or branch banking, the two most obvious manifestations of monopoly in the Twenties. Both endangered the traditional small-scale enterprise which Nye favored, and so in Senate debate and on public platform he lashed out against them. When he sought to strengthen the Federal Trade Commission he did so in order to "free the channels of commerce from destructive 'cut-throat competition' and thus permit the continued existence of thousands of honest and efficient business establishments constantly threatened by giant monopolies."

This feeling for the little man led to Nye's voting against the National Industrial Recovery Act in 1933. He suspected that the act was not all it appeared to be and within five months of its passage his worst fears were confirmed. "The Blue Eagle," he insisted time and again, "is a bird of prey on the masses." The codes of fair competition he described as "swindles upon consumers"; he could not forbear adding that "the fact that the consumer has been at the mercy of the monopolies is the great weakness of the recovery system." With Senator Borah he assailed the NRA and its administration, for the NRA, he saw clearly, fostered monopoly and placed insuperable obstacles before firms which lack strong financial reserves and which are often unable to "enjoy the fruits of fixing prices resulting from the suspension of the anti-trust laws."

Though Nye and Borah were responsible for the sensational Darrow investigation of the NRA, the result can have been little to their liking. The little man's grievances were aired and he earned public sympathy. But monopoly continued to crush out his life.

Nye's dislike for big business was reinforced by his discovery of its political influence. He had long known vaguely about this, but he had no definite proof until 1927, when as chairman of the Senate Committee on

Lands and Surveys he took part in the drawn-out drama of Teapot Dome. With Senator Thomas J. Walsh he washed before a curious public the dirty linen of the Continental Trading Company, a dummy corporation by which certain oil barons filled their own pockets at the expense of their stockholders. Indirectly the Continental entered the Teapot Dome scandal because through this dummy corporation had come the Liberty Loan bonds which enriched Secretary of the Interior Albert B. Fall. The Continental's profits were also used to buy still other bonds which found their way into various strange places, among them the treasury of the Republican party.

The steady succession of revelations about the Continental Trading Company kept Nye's name before the public. He began to be recognized as a crusader of the first rank. While politically this added prestige was worth a good deal to Nye, more important for him was the knowledge he was acquiring. Teapot Dome and the Continental Trading Company demonstrated to him "the frightful influence of money upon our political and economic life as a nation." The contributions from dubious sources to campaign funds distressed him greatly. "The great masses of people who are without great means," he declared, "can never hope to compete politically with influence which can pour unreasonable sums into partisan coffers."

Suspicion of the political influence of great wealth caused him in December, 1928, to oppose the confirmation of Roy O. West as Secretary of the Interior. West had been attorney for Samuel Insull and was too interested in the Insull properties to impress Nye as being desirable in a post which carried with it a place on the Federal Power Commission. Though West's appointment was easily confirmed, later events made Senator Nye's opposition understandable.

In 1930 Nye found an opportunity to go even more directly into the relation of money to elections when, as chairman of a Senate committee to investigate campaign expenses, he traveled up and down the country. In Pennsylvania, for example, he found that the Republicans spent more than $640,000 to elect their ticket, while Ruth Hanna McCormick spent $325,000 in the Illinois primaries alone. This revelation helped to defeat her Senatorial ambitions. Where did these vast sums come from and why were they given to party treasuries? Those were the questions that Nye was always asking. From the investigation he drew the lesson that the primaries were the "playthings of machine politicians," "the source of more evils than the regular elections." He advocated then, as he had earlier, a stricter Federal law for the regulation of elections and campaign expenses.

The investigation of Mrs. McCormick's expenditures led to a bitter quarrel between her and the Senator. Alleging that his agents had tapped her telephone, invaded her office and pried into affairs that were none of their concern, Mrs. McCormick set detectives on his trail in the hope of uncovering something that might drive him from public life. One of the detectives said later that he was sent to Fargo to gather "biographical" information about Nye, and that he had caused him to be shadowed at Glacier Park. The episode hurt only Mrs. McCormick, for the detectives found nothing that could be used against Nye.

While his career as a Senator and as an investigator won for Nye the

respect, and in some instances the admiration, of many of his fellow-countrymen, it remained for his inquiry into the munitions industry in 1934 to make him a national figure. Though a believer in an adequate national defense, he has long been an enemy of militarism and imperialism, voting against all bills for naval expansion and opposing the protection of American foreign investments by armed forces. When, therefore, he offered on March 12, 1934, a resolution to investigate the munitions-makers' activities he was acting consistently.

Nye, there can be little doubt, is sincere in his attack upon the arms manufacturers. But he is also ambitious and he has known how to turn the investigation to his own advantage. There have been no hired prosecutors to steal the show; it has been all his. Nye, still handsomely boyish in appearance, a vigorous orator, poised and well groomed, has gone through the country telling uncomfortable truths about the munitions makers. To men and women who were hardly aware of his existence his name has become a household word. They have seen him on lecture platforms; they have heard his voice come through the ether, and they like him.

There are, however, those who find Senator Nye less attractive. To them he is a demagogue or a dangerous radical. Yet he is neither. His championship of the masses comes from the heart. Whenever he seeks their support it is done more in their interest than in his, and upon them is based the social philosophy which guides his thought and action.

He regards himself as a Progressive, but there are other Progressives who have done far more thinking upon a program for action than he has. After all, he is concerned less with the abstract than with the concrete; he is emotional rather than intellectual. And there lies his limitation.

With the general basis of Nye's work few liberals will disagree. It is extremely simple and fits the tradition of American liberalism. Commenting in 1931 upon a report that 80,000,000 Americans had annual incomes of $700 or less, he said: "Progressives believe that the first duty of government is concerned with the welfare of those 80,000,000 and of millions more who lack economic security." That is the first point in his creed. The second is the "determination that there shall be again in this land a government of the people, by the people and for the people." It is with the application of this creed that many will disagree.

Nye throughout his career has shown a hesitancy to go to the roots of the abuses he hates. Instead, like American liberals of an earlier time, he seeks to lop off the abuse, failing to see that unless the roots are destroyed a new and perhaps more virulent evil may spring up. Despite a generation of experience with government regulation of business practices, he does not admit that regulation has failed. He still supports, for example, the very anti-trust laws under which the monopolies he denounces have spread and flourished. For Nye there is a good and a bad capitalism. Though he does not stand alone in the belief that a beneficent capitalism can be realized, the teachings of history and experience lend little support to such a view.

In defending the little man, Nye is probably waging a losing battle. He is trying to turn back to the days of small-scale enterprise, whereas all signs of economic evolution point to the gradual extinction of the individual storekeeper or factory owner. Moreover, the rights of labor and the con-

sumer have seldom been observed more scrupulously by the individual than by the corporate proprietor. There have been exceptions in both cases, but it is indeed a question whether the masses as a whole are better off under one than under the other. Seemingly, any clipping of the claws of big business must entail greater consideration for labor as labor than Nye has yet given or recognized the need for giving.

Though Nye opposes the growing concentration of wealth, he scarcely indicates that he grasps its full implications. He still lives in the age that tilts against great monopolies, despite the advent of finance capitalism. Today economic power rests in the hands of the few who through devices introduced into corporate organization determine the destiny of great undertakings, even if actual ownership and nominal control belong to unorganized stockholders. This great change puts a new complexion on economic and social problems, but Nye seems unaware of what has occurred.

Nye tends to simplify social questions. He believes, for example, that if the munitions makers are properly controlled, either through regulation or nationalization, the danger of wars will fade. Thus he has stated that "the profits of war and the preparation for it constitute the most serious challenge to world peace. * * * The removal of the element of profit from war would materially remove the danger of more war." In public, at least, he shows no appreciation of the fact that whatever the arms industry is or is not, it can be only one factor in the breeding of international conflict.

There is nothing in Nye's career to indicate a desire to destroy capitalism. His acts and utterances point to a belief that if corruption and evildoing can be exposed they can be eliminated. Then all will be well. He is thus perhaps a real conservative in the sense that he wishes to retain the best, to heal only the ills of the system. On the other hand, his continuous attack upon the "octopus" of monopoly and his steady exposure of abuses serve to keep the public alive to the encroachment of the few upon the rights of the many. He leads people to consider the nature of the system under which they live. When viewed in this light he is far more the wrecker than the restorer.

Even if Nye's thinking appears more liberal than radical—and a little old-fashioned into the bargain—it is well to recall that even now he is only 42, and that he has come a long way in the past decade. Ten, twenty, maybe thirty years of public life stretch ahead of him. What will he be doing in that period? Will he develop greater constructive ideas? Will he, as have some of the Progressives already, analyze carefully the nature of American society and work out a definite program for its problems? Or will he champion and crusade alone? One thing is certain. Unless he develops a deeper social philosophy, unless he more fully comprehends changes in the body politic, he dooms himself to be only a critic, never a planner, and to remain until the end a member, not a leader, of the Progressives.

Latin America Grows Up

By CARLETON BEALS*

THE countries of Latin America, bubbling with economic, political and intellectual ferment, are on the brink of momentous changes. With the exception of Haiti, Venezuela and Colombia, every one of them has been shaken by armed upheaval in the last few years. Though the direct product of the world depression and the collapse of the golden loan period, differing little from the century-old military transfer of power, those disturbances have set in motion new social forces.

Long a colonial area, Latin America has never been aware of its own deeper cultural forces. Its social systems are mostly remnants of colonial feudalism, based upon racial and class exploitation by small cliques of white Creoles. Since the new industrial economy has for the most part been based not on national needs but on the interests of foreign capitalist powers, there has been no true independence. But today the old-style colonial exploitation of four centuries is coming to a close. In one form or another the old political and cultural forms are being smashed.

This is a direct reaction to foreign loans, investments and the introduction of capitalist methods. Wherever capitalism penetrates colonial feudal countries, revolution is precipitated by the ambitions of new classes and the conflicts of new interests. Discordant cultural tendencies arise. Rapid disruption of existing social relationships demands violent readjustment. Thus far such readjustment has been postponed—and thereby aggravated—by a paradoxical alliance of foreign capital with feudal classes and governments, buttressed until recently by foreign loans and the friendliness of diplomats. But disorder has been inevitably injected by foreign capitalist competition itself—bankers against traders, manufacturers and public utilities against loan collectors, nation against nation. Pan-Americanism and the Inter-American Society have sought to counteract European influences. Japanese trade envoys have stressed the dangers of "Yankee imperialism." Dispatches of subsidized European news services have systematically exaggerated American aggression and slandered American business methods.

This bitter economic and commercial war of the great powers has now driven the Latin-American countries to similar nationalistic expedients. These have increased native consciousness of self-important national independence, have fostered the belief that domestic reforms can be achieved without foreign opposition, have added fuel to more popular movements of revolutionary nationalism. Reaction to foreign industrial capitalism, economic depression, political instability and the inadequacy of existing governmental systems have raised the issues of communism and fascism. Sensitive to impending change, desperate for salvation, the

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Latin-American peoples have run after strange gods.

In Mexico, some years ago, a local political hack even organized a short-lived Ku Klux Klan. About the same time a Black Shirt movement was organized but withered away. More recently a Gold Shirt movement has flourished. Peru has a rachitic group of Black Shirts organized by a follower of the murdered Sánchez Cerro. In other countries fascism has acquired great organized strength. Chile is reported to have 50,000 armed men —uniformed, parading, pro-government Fascists. The Brazilian Green Shirts claim nearly 200,000 members and control of the teachers. In Argentina eight Fascist groups, armed and uniformed, are cheering for disaster. In various places Nazi groups have added to the confusion.

All the Latin-American countries have Third International Communist groups, mostly illegal and persecuted. To be a Communist in Mexico is to risk being sent without trial to the penal islands. Diego Rivera, the painter, is leading a forlorn Trotsky wing. In Cuba, since the fall of Machado, Communists have multiplied like guinea pigs; they control the strongest labor confederation. In Salvador the new machine-gun government of President Martínez massacred several thousand. In Costa Rica a Communist movement is taking shape. In Colombia Communist strikes in the foreign-owned tropical plantations have been bloodily suppressed. In Peru the Communists, with a strong foothold in the south around Arequipa and Cuzco, were the directing agents behind a recent railway strike. The Chilean movement, long identified abroad with Marmaduke Grove, is powerful. The Argentine Minister of the Interior reported on Aug. 12, 1934, that during 1933 more than 100,000 Communists had been arrested. Strong Communist nuclei exist in Uruguay and Brazil.

Not all the new political organizations are direct copies of European parties. Definite home-brew revolutionary movements, excessively nationalistic and anti-imperialist, though influenced by world trends, are jousting in the arena. Among these are the 1917 Mexican revolution, continued by Carranza, Obregón and Calles; and, in Cuba, the Batista-Grau revolution and the ABC movement of Martinez Sáenz. In Nicaragua the Sandino revolt was a similar expression. Today the most vigorous is probably the Peruvian Apra movement.

All existing Latin-American governments, whether revolutionary, liberal or reactionary, have been adopting far-reaching measures of economic nationalism. Often, to conceal their own ineptitude, those governments have countenanced, even abetted, many nationalistic prejudices. Mexico has had periodic outbursts of anti-Semitic persecution; its treatment of Chinese has been unjustifiably ferocious. The Japanese have had trouble in Brazil. Cuba has harassed the Spaniards. Protective tariffs, legislation to protect native labor, managed currencies, special subsidies, tax favoritism, judicial partiality, control of capital export and strict immigration laws are but a few of the new devices for fighting foreign influence.

Superficially, the varied and colorful map of Latin America would seem to deny any such common trend. From the Fascist oligarchy of Mexico, with its Bolshevist slogans, to the Liberal pseudo-constitutionalism of Colombia; from the military tyrannies of Salvador, Guatemala and Santo Domingo and the personal despotism of Vicente Gómez in Venezuela to the traditional democracy of Costa

Rica are long jumps. The enlightened Uruguayan system has gone down before a military coup. Argentina—after the brutalities of Uriburu—and Brazil have edged back to more moderate systems. Mendieta in Cuba and Benavides in Peru are old-school politicians marking time in the face of a swelling tide of social unrest. Yet whatever the complexion of the different governments, all are being carried along on the ever more rapid current of extreme nationalism.

Anti-imperialistic nationalism in the face of world crisis strives toward independent economic regeneration, the increased utilization of home resources for the home populations, and emphasis on native cultural values. For the moment, native exploiters increasingly replace the foreign entrepreneur. The majority of the countries have strenuous programs for national recovery, more original, far more fundamental, than our own New Deal.

Native cultural pride is awakening. A recent Mexican Minister of Education even attempted to replace Santa Claus with the white Nahuatl god, Quetzalcoatl, the famous Plumed Serpent. In Mexico, Peru and to some extent Argentina, the painters have turned from vapid French models to native homely themes. Writers are seeking native material, are dealing with native problems. True, such efforts have been made before—there was the keen analysis of González Prada in Peru at the end of the last century, the remarkable social writing of Molina Enríquez in Mexico in 1909, the "America for Americans" slogan of the Argentinian Ugarte, the works of the Cuban Rodó, the brilliant insight of José Carlos Mariátegui. But now such voices in the wilderness have become part of a continental trend. This has had its reflection—especially in Mexico—in the furthering of education among the masses and a new interest in the resuscitation of Indian culture.

It is doubtful, except in isolated instances, whether impending changes will be brought about by either dogmatic Fascist or Communist groups. Both fascism and communism, symptomatic of industrialized nations, must be so modified in application that the original blue-prints scarcely serve the semi-tropical Western World.

The tendency in Latin America is not to safeguard the existing class structure but to destroy old classes and favor new ones. Except here and there, the problems are not of racial minorities but of racial majorities. Thus the setting and the needs are different. Social amalgamation and revolutionary tendencies have long been hindered by racial divisions, which becloud issues and divide forces. In general, race coincides with functional differences. Thus the feudalists and new bourgeoisie are mostly Creole; the middle class—bureaucrats, professionals and smaller traders—are of mixed blood; the new proletarian is Indian, Negro and mestizo; the peasants are largely Indian. Political parties on the European model cannot possibly penetrate this labyrinth of races and classes.

First of all, feudalism has retarded industrial development. Cuba and Puerto Rico, with great industrialized sugar and tobacco estates, are the only countries with an appreciable proletariat. Mexico has considerable mining, a textile industry and some industrialized estates; yet despite recent rapid expansion, the industrialized proletariat probably does not exceed 350,000 workers. There is a defined proletariat on the coast estates of Peru, Colombia and Venezuela, and in larger centres, such as Lima, San-

tiago, Buenos Aires and Montevideo. But a working class psychology is lacking; it could be aroused only artificially in the indigenous rural masses.

The middle class, also in embryo, is fighting not against being crushed, not against capitalist or proletariat, but against the feudal system. It is not menaced but is expanding, struggling for its place in the sun. Its first foothold was in the church; later it took over the government bureaucracy, politics and the army; now it is pushing into the professions and business. Quick to ally itself with foreign capital, some of its members have joined the new native capitalist group.

Yet the armies of Latin America, except perhaps those of Chile and Argentina, are feudal, not national. Their main purpose is to sustain an existing Creole clique. Usually better paid than peasants or workers, Latin-American armies, as yet largely unaffected by class divisions, have a mercenary loyalty; the armies are not the allies but the enemies of the new groups.

In the Americas there is an ascending culture, a budding nationalism, a thirsting for unity, rather than a disintegrating society. While the new ambitious groups—the proletariat and peasants, the middle class, the native capitalist class—are divided among themselves, they also have common enemies—feudalism and foreign capitalism. The Latin-American peoples, obstructed by the old-style military feudal State with its hierarchy of mass ignorance, fanaticism and bigoted ecclesiasticism, do not wish to destroy democracy and liberalism.

In Latin America the indigenous tradition, influential except in Argentina, Chile, Uruguay and Costa Rica, has always been communal. Despite landed feudalism, large areas of Mexico, Colombia, Guatemala, Peru, Ecuador, Bolivia and other countries are still cultivated under the communal system. Individualist land distribution makes little appeal to the indigenous masses; land socialization does. Agrarian collectivism becomes a powerful weapon, as Mexico has proved, against feudalism without disturbing middle-class or bourgeois ambitions.

The Communists face a similar dilemma. Either they have been drawn into a purely theoretical battle between classes that scarcely exist or they have taken an intransigent, idealistic stand, attacking as Social-Fascist all liberalizing trends. Thus the Communists have become involuntary abettors of traditional feudalism and foreign capital or they have allied themselves with National Socialist tendencies to help the native middle class and capitalists fight feudalism and foreign control. The only mass support Communists can garner in Latin America is from traditional village communalism among indigenous elements. But most Latin-American Communist leaders, except in Mexico, are Creole intellectuals, who arouse suspicion among the natives because they are associated with white oppression in the past.

The Communists are also obstructed by the difficulty of creating an alliance of workers and peasants. Since there has been no real national unification, the city has been cut off socially and culturally from rural areas. The city has never been primarily a distributing and national cultural centre, but a focus of exploitation; it does not cooperate with the rural regions, but drains them of all their wealth, thus keeping the rural population in extreme ignorance and poverty. Mexico City, Lima, Caracas and Bogota are imperial cities levying tribute on backward regions,

much as capitalist economy has levied tribute on colonial countries.

As a result the concepts of the new Latin American proletariat are muddled. The proletarians of a city like Lima, for instance, are separatist. The urban worker, however much he may talk class solidarity, feels little kinship with the Indian serf of the interior. A petty aristocrat, in his own way, he owes his relatively high wages—however miserable they seem compared to American standards—in part to continued exploitation of the peasant masses. All these factors make the application of Communist dogmas impossible.

The third important alien influence, in addition to fascism and communism, has been democracy and self-determination of nations. For over a century Latin-American governments have hidden a brutal militarism under the sheepskin of republican democracy. Democracy is therefore still a live issue, something for which the Latin American peoples thirst mightily.

Thus there is being developed a curious compound of democracy, collectivism and nationalist force. From the standpoint of social liberation this is absurd; yet from the standpoint of class interests in colonial countries it is a feasible combination. Younger leaders have been quick to appreciate the possibilities.

Mexico, the first country to be shaken by these tendencies, has in turn had a tremendous influence on the rest of Latin America. The revolutionary doctrines of Mexico, its so-called anti-imperialism, its courage in battling the petroleum interests and clericalism, its interest in popular education, its land program, its awakening of the Indian masses, its cultural nationalism—all these things, though the gains have been for the most part illusory, have lighted the way to a new freedom in other countries.

The Mexican conflagration began as a blind revolt against the thirty-year old tyranny of Porfirio Díaz, as reaction against brutal exploitation and widespread land enclosures. It was forced by inconsistencies created by too rapid industrialization and improved communications. Its final expression is to be found in the 1917 Constitution of Querétaro, which was mistakenly considered very socialistic.

Soldiers, proletarians, peasants and middle class helped to make the revolution, but whatever its popular achievements, its outstanding characteristic, which exaggerated nationalism has accentuated, has been the rise for the first time of a native capitalist group in control of the State. What were the weapons?

Democracy. A pseudo-democracy has curtailed feudal privileges, providing false hopes for the masses by giving the illusion of freedom from historic military despotism. It has permitted the government to direct mass force against the feudal lord, the ecclesiastic and the foreign capitalist.

Labor. The foreign capitalist, protected by powerful governments, had to be confronted by a militant labor and peasant movement. But once the diplomatic battle against foreign interests had been won, labor became a menace to the native industrial barons of the revolution and had to be smashed. All so-called revolutionary forces were reassembled in the official National Revolutionary Party (PNR), sustained by forced contributions from government employes and headed by wealthy politicians. State control of the labor movement—it is again slipping out of hand—makes it possible to use the workers against

foreign capital and against native producers outside the official party. Thus we have the strange phenomenon in Mexico of millionaire Socialists.

Collectivism. Still another weapon against large feudal landholding, native and foreign, has been the agrarian law promoting Indian collectivism. This broke the political hold of the old régime without greatly menacing the privileges of the new.

State Control. The new group has been obliged to maintain iron control of the State, to dominate the electorate and the labor movement and to prevent agrarian collectivism from injuring the landholding activities of the group. Such control has also made possible advantageous protective tariffs, tax exemptions, privileged rates on the State-owned railways and manipulation of the currency, and in other ways has protected the new bourgeoisie against foreign competition both in production and in marketing.

Other national independence movements soon appeared in Latin America. The Nicaraguan Sandino movement was largely a militant armed nationalism, but never set forth an intelligible economic program. In Cuba the Grau-Batista revolution, also a militant nationalist reaction, was undermined by Sumner Welles before it succeeded in formulating a body of principles. The ABC group did lay down a program of general economic rehabilitation, with slight collectivist implications, covertly anti-imperialistic and thoroughly nationalistic. But bad Creole leadership and schisms subordinated the ABC program to immediate political preferment.

The most conscious expression of revolutionary nationalism has been made by the American Revolutionary Popular Alliance—the Apra—a movement international in scope but centred chiefly in Peru. This organization, an outgrowth of student and labor agitation, has captured by an opportunistic program the allegiance of other groups.

The Apra movement arose after the Bolshevist revolution in 1917, after Mussolini's coup in 1923 and after the Mexican upheaval. It has borrowed from them all. Taking the Kautsky position of the inevitability of capitalism, it used Marxism to prove that Marxian tactics are inapplicable to Peru, that the Apra is right and the Communists are wrong. It bases its program on the State as an economic entity—but without being seduced by the Fascist Corporate State, for Aprism also advocates democracy. Deeply nationalistic, it advocates anti-imperialism and fights the church and landed aristocracy. The anti-imperialist stick, however, since President Roosevelt ended armed interventions, does not beat the dog so well, and the leader of Aprism, the versatile and brilliant Haya de la Torre, has held out the olive branch to American and British capitalists and diplomatists.

Yet Aprism, with "Peru for the Peruvians" as a slogan, stands for economic nationalism. Hitherto every major enterprise in Peru has resulted from foreign initiative. The railroads have been built, not with any design of promoting the interests of Peru as a country or as an independent nation, but to extract mineral wealth and send it abroad. Peru utterly lacks a coordinated system of communications. It lacks all developments of resources other than those providing quick profits for foreign capital ministering to the needs of the great industrialized nations. Its governments have been feudal blood-sucking affairs, living off exploitation of a back-

ward people, landlordism, military privilege and foreign monopoly of guano and minerals.

Apra definitely advocates native capitalism with proper protection for the proletariat, thus avoiding past abuses in other countries, so that Peru may more rapidly develop a more satisfactory social system ministering to the needs of the people at large. Apra thus states consciously what the Mexican revolution developed unconsciously. It faces the same dilemmas. In fostering a native proletariat to drive out foreign capital it increases the difficulties of the *group trying to supplant foreign capital.*

Though Apra's two major enemies are foreign capital and native feudalism, it appeals to all classes attempting to emancipate themselves or to promote a new economic system whether capitalist or collective. The anti-imperialist slogans unite the proletariat, the peasants of the great coast estates, the middle-class, even part of the bourgeoisie. Now that the golden loans of the United States no longer buttress the benighted feudal landlords, the new bourgeoisie are willing to cast off a non-effective feudal alliance which would doubly endanger them should more radical trends prevail. The Apra appeals further to the vast Indian population of the interior by promises of land-distribution, protection of the communal village and socialization of the big estates. Nationalism, hegemony of the State, democracy, economic reconstruction—doctrines all conceived and welded in unorthodox fashion—form its basic philosophy.

If the centre of the Apra movement is Peru, it has cells in every country. Under this or some other name—the ABC in Cuba or the PNR in Mexico—it rides the main stream of revolutionary nationalism that is destined to shape the course of Latin American history during the next decades. Undoubtedly the political forces now maturing in Latin America will bring as far-reaching developments as those of the independence movements of over a century ago, for colonialism, feudalism and foreign control are being ended. A new cycle of Latin American history has begun.

Profits Under the New Deal

By George Soule*

Both friends and enemies of the New Deal were startled by the preliminary report of the Bureau of Internal Revenue on the income tax statistics of 1933. The new administration was going to bring about a more equal distribution of income; it was going to raise wages first and profits afterward. During the first year in which it held office the changes that occurred look like the exact contrary of the administration's expressed intentions.

Here is what happened in comparison with 1932: Those reporting net incomes of more than $25,000 increased in number 1,053, or 4 per cent, and their aggregate incomes increased $127,673,000, or 9 per cent; those reporting net incomes of less than $25,000 decreased in number 101,350, or 3 per cent, and their aggregate incomes declined $467,518,000, or nearly 5 per cent; the number of persons in the highest class, receiving $1,000,000 or over, increased by 26—growing from 20 to 46 or more than double—while their aggregate incomes increased from $35,239,556 to $81,558,981. Net income of corporations increased by $654,502,687, or 35 per cent, while reported income from wages and salaries decreased by $567,565,000, or 7 per cent.

Is it fair to judge the New Deal by the results of 1933? Mr. Roosevelt, after all, was not inaugurated until after the year had begun. January and February, 1933, represented the low point of the depression, and had probably reduced the incomes of all classes. When the new President took office in March a decided upswing began. His treatment of the banking crisis was felt almost immediately. This was soon supplemented by the psychological impulse of his expressed intention to increase prices; production temporarily boomed, particularly in the industries making goods for consumption. The peak of this activity was reached in June. The Agricultural Adjustment Act was passed in the Spring, but had little influence on farmers' incomes until Autumn. The National Industrial Recovery Act was passed in June; the Blue Eagle or blanket code was applied in midsummer; separate industrial codes were formulated and the majority of them had been adopted by Oct. 1, 1933. It is fair to concede, therefore, that measures affecting profits got a somewhat earlier start than those affecting wage-earners' and farmers' incomes. We shall have a better basis of judgment when the 1934 figures are available.

Before a final judgment is rendered, we must also take account of the fact that the income tax reports themselves are far from inclusive. The total persons reporting included only 3,339,602 out of approximately 48,000,000 who are normally engaged in gainful occupations. Because a single report is frequently returned for a man and

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wife both of whom have incomes, it cannot be said that we should be obliged to have 48,000,000 reports in order to cover all the receivers of income in the country. Yet a considerable majority do not report, most of them because their incomes are too small to come within the modest limit of taxable incomes.

What happened to these low incomes of the impecunious majority? The only light thrown upon that question by the Internal Revenue figures is that fewer incomes were reported in 1933 than in 1932. There were, in the later year, more persons in the non-taxable group. That does not look as if there had been a marked upsurge of income in the lower income strata. If there had been, we should expect that some of them would have risen into the category of taxpayers, whereas exactly the reverse happened. Nevertheless, it is theoretically possible that those who did not report had somewhat higher incomes on the average, without having high enough incomes to spill over into the reportable class.

Before we leave the 1933 income figures in an attempt to estimate what happened later, and what happened to the lower income groups, let us ask what caused the disparities in the reported incomes. It was not an increase in dividends. Despite the fact that larger corporate incomes were realized than in 1932, less was paid to stockholders; dividends on stocks in domestic corporations fell about $360,000,000. If dividends had increased, it is probable that there would have been at least some growth in the incomes of those receiving less than $25,000. Rents and royalties also showed a decline, as did interest on all but tax-exempt bonds. In other words, the customary sources of sustenance for those who enjoy moderate or "comfortable" incomes were nearly all reduced.

There was an increase in incomes from unincorporated business or partnerships (as would be expected along with the growth of corporate income), amounting to something like $200,000,000. The largest jump came in profit from sale of real estate, stocks, bonds and so forth. On sales of property held more than two years, the increase of profit above 1932 was $83,000,000. On the more speculative sales of property, held for a short period, the increase was $308,000,000.

This throws a sharp light on the source of the gain among the higher income groups. The prospect of inflation brought a windfall to the big traders and speculators, as it always does. Little of this profit was probably realized in the real-estate market, which remained inactive. It was obtained largely in the financial markets, in the wheat pit, in foreign exchange. Here is evidence that a general price-raising program is of benefit first and foremost, not to those of low income, but to speculators. Indeed, the gain in corporate profits themselves was in a measure attributable to speculative buying of materials such as raw cotton rather than to increased production and sales. Here is our first detailed source of criticism of the President's policies: The expectation of inflation which he deliberately stimulated at the beginning led to a growth of speculative profits and of large incomes, without benefiting those lower in the scale.

Next let us examine the broad detail of the industrial incomes. The gain in them is an important part of the picture, even if smaller dividends were paid. It is important because such a gain may have meant that the first fruits of recovery were being channeled to profits rather than to wages or payments for farm mate-

rials. It is also important because certain large individual incomes, not dependent on dividends, could be directly affected thereby—salaries and bonuses paid to high corporation executives or ownership income from unincorporated concerns. Here the striking gain was in the net incomes of manufacturing concerns, which nearly doubled, rising from $656,964,000 to $1,210,676,000.

Net incomes of agricultural and related industries also nearly doubled, but these are a very small part of the total, and the figures for them, of course, do not cover the farmers themselves. Trade incomes showed a substantial increase—from $218,916,000 to $392,228,000. There was a very small increase in mining and quarrying. Construction, of all great industries the most heavily hit by the depression, registered a decline. So did transportation and other public utilities. So did finance, banking and the like, and so did hotels, amusements and other service industries.

What does all this indicate? Manufacturing and trade, where the great gains in profit were made, were the industries chiefly affected by the NRA. It has been a stock contention of conservative opponents of the administration's labor policy that it was preventing recovery by taking profit out of business. The wages and hours measures, so it was argued, were raising costs first of all, and thus activity would be discouraged. The time to increase payrolls and costs would be after revival, not before. These figures give eloquent testimony to the fact that in the industries chiefly affected, whatever happened to wages and hours did not decrease profits, at least in 1933. Either the administration was not successful in raising wages or the critics of this policy were crazy, for profits doubled.

It is pointed out by defenders of business that we need not be concerned with this doubling of profits, since even in 1933 the deficits of those corporations having deficits were still much larger than the net incomes of those corporations having net incomes. But this is beside the point. What interests us in this connection is the trend. The fact remains that manufacturing profits appear to be on the mend with extreme rapidity.

The failure of construction profits to increase at the same time indicates the continued low volume of building activity, which was actually smaller in 1934 than in 1933. While the administration cannot be blamed for the situation which brought about the construction slump, in two respects at least its policies failed to help this situation in 1933. Its public works program was so slow in getting started that it was hardly felt. Moreover, the power over prices given to manufacturers of building materials under the NRA maintained building costs at a level that did nothing to encourage private construction. It cannot be asserted, of course, that if costs had been low construction would have revived.

Transportation income also was injured as much as it was helped by governmental policy. Railroad materials and supplies were increased in cost, as were building materials. Rates, however, were not increased. The government is not to be blamed for a failure to increase rates, because they, like many industrial prices, had fallen so little during the depression as to be out of line; it is probable that increasing them would have discouraged traffic. Only two chief paths are open to an increase of railroad net income: First, a substantial enlargement of traffic; second, a reduction of fixed charges by capital reorganization. The

main failure of the New Deal so far, as we shall see, is the very small increase it has brought about in volume of production and trade, and this is reflected in small railroad traffic. And capital reorganization was not facilitated by the policy of extending government loans to avert railroad receiverships.

Now let us see what further light may be thrown on the questions raised by the income tax figures. If we supplement them with other statistics, we can learn more about the incomes of those who were too poor in any case to come within the reporting brackets, and the whole story can be carried along more nearly to the present.

The index of factory payrolls published by the Bureau of Labor Statistics stood, for the year 1933, at 49, as compared with 46 in 1932. This means that there was an increase of between 6 and 7 per cent in the money paid out to factory workers. No similar index exists for wage-earners in other occupations, but it is most unlikely that any larger payroll increase occurred in trade, while there was undoubtedly either a smaller growth, or possibly even a decline, in construction, transportation and mining. The index also shows that factory payrolls in 1933 were less than half as large as in the base period, 1923-25. Taking the year as a whole, therefore, there can be no question that no startling gain occurred in wage-earners' total income.

What do the payroll figures indicate with regard to the contention that manufacturing costs were raised by higher wages? The index of the physical volume of manufacturing production increased from 63 in 1932 to 75 in 1933, or about 19 per cent. Comparing this with the 6 to 7 per cent growth in payrolls, we see that output per dollar of wage payments actually was greater in 1933 than in the previous year. Labor costs per unit of output seem to have been reduced, rather than the reverse.

Now we are better able to account for the doubling of net manufacturing income. It was partly due to the production of about 19 per cent more goods. But 19 per cent more goods, sold at the old margin of profit per unit, would have increased profits only 19 per cent. The margin of profit for the year was increased partly by lower labor costs, but still not enough to double profits. Doubtless overhead costs also were considerably reduced per unit of output by the increased activity. And, finally, selling prices were in many cases increased more than the price of raw materials. This was the combined result of the anticipation of inflation and the price-control devices of the NRA. No detailed figures exist to indicate exactly how the result occurred, but there can be little doubt that the principal early effect of the recovery measures was the gain in manufacturing profit.

How did the individual factory worker fare? The larger payrolls were distributed to a larger number of employes. The index of factory employment grew from 64 in 1932 to 69 in 1933, or something over 7 per cent. This was greater than the gain in payrolls. Therefore, the average money wage of the factory worker was not increased at all. Persons formerly unemployed had more money, but those who were formerly employed had slightly less. This fits perfectly the picture presented by the income tax statistics. Individual workers' incomes, on the average, showed no gain for the year.

Gross income of farmers was indeed somewhat larger in 1933 than in 1932. But net income—concerning which no accurate statistics exist—was probably little, if at all, greater. Net

income must of course be reckoned after interest and taxes are paid, supplies are bought and depreciation is deducted. The higher prices of crops probably resulted in the main in a partial clearing of past debts and in a better ability to meet current expenses, without having much effect on net income. Not many farmers make enough even in normal times to pay income taxes.

It may be objected that these figures which cover whole years mask the tendencies which began to be felt only in the latter part of 1933. Payrolls then were rising, and the growth of farm income had only begun. It is necessary to guess as well as we can what happened in 1934, in the absence of income tax statistics for that year.

The Federal Reserve Bank of New York compiles quarterly figures covering net profits of 500 large companies. While these are far less inclusive than the income tax statistics, they are not likely to run counter to the general trend. These companies showed profits of $679,100,000 in the first half of 1934, as opposed to $415,900,000 in the first half of 1933, an increase of over 63 per cent. The Federal Reserve Board estimates that profits for the first nine months of 1934 were 70 per cent larger than for the same period of 1933. When figures for the whole year are available, they are almost certain to show no less an increase for the twelve months.

It will be remembered that dividends paid in 1933 were smaller than in the year before. The compilation made by *The New York Times* of cash dividends (excluding banks and insurance companies) shows a reversal of this trend for 1934. In the first ten months of 1934, more cash dividends were paid than in the same period of 1933. From these two partial indicators, we are justified in assuming that the growth of the larger incomes has continued, and has probably extended somewhat further down the scale.

Factory payrolls for the first nine months of 1934 stood at an index of 63, as compared with 49 for the year 1933. Thus the upward tendency in wage payments that began a year ago last Fall wàs registered in the figures for 1934. The gain was about 29 per cent. A striking percentage increase, to be sure, but one not comparable with the growth of profits since the bottom of the depression. It meant a considerable gain in the total purchasing power of labor, but a somewhat smaller one than the figure would indicate, because of a rise in the cost of living. Again we have to register the probability that nothing like this advance was felt outside manufacturing. Construction did not appreciably revive, and there was no marked increase in railroad employment and railroad wages.

These figures still tell us little about the fate of the incomes of individual wage-earners. Factory employment for the first nine months of 1934 stood at an average index figure of 79. This represented an increase of between 14 and 15 per cent over 1933. Average per capita wage incomes rose, therefore, in a smaller degree than the total payrolls. A good deal of the extra money was absorbed by the reemployment of those formerly out of work. It is improbable that the wage-earners gained enough individually so that any considerable number will have risen to the income-reporting category for 1934.

Factory production for the first nine months of 1934 was only a little over 5 per cent higher than in 1933. With payrolls 29 per cent greater, this

would indicate a considerable rise in labor costs per unit of product. But the simultaneous increase of profits, which appear to have grown more than factory production, would indicate that this rise in costs did not seriously cut into profit margins. The growth of profits can scarcely be attributed entirely to the small gain in output. But one explanation remains—a considerable rise in prices charged at the factory door.

Construction gained slightly, having for the first nine months of 1934 an index of 33 as opposed to 25 in 1933, but the level is still one-third of the average of 1923-25. The failure of construction to increase not only affects adversely the incomes of employes and workers in that great industry but undoubtedly holds down the growth of manufacturing production, where the most seriously depressed industries are those engaged in making building materials and other capital goods. Again we must register the judgment that the public works program is both too slow and insufficient in quantity greatly to affect the total, while the relatively high prices charged by the manufacturers of building materials help to retard revival of private construction activity.

Gross agricultural income is estimated by the Department of Agriculture to be about $1,000,000,000 larger in 1934 than in 1933, a gain of 20 per cent. This was due partly to the crop restriction program, and partly to nature's restriction by means of the drought. What the increase in net income will be it is difficult at present to estimate, but it is of course restricted both by the payment of debts and by the increased cost of industrial materials that the farmers buy. Certainly it has not been large enough to stimulate greatly the purchase by farmers, and so the production, of manufactured goods. The growth of net income on the part of individual farmers is not likely, even in 1934, to compare favorably with the growth in income of recipients of profits.

The chances are that when the income tax figures of 1934 become available, they will not tell a strikingly different story in regard to the distribution of income than those of 1933. Profits and large incomes will have continued their increase, but there will be little sign of growth in the lower brackets.

We have undoubtedly approached the limit of possible increases, either in total factory payrolls through enlarged employment, or in wages paid to the individual worker, without a substantial gain in production. And, of course, a gain in production is essential to supply the means of a higher standard of living for the nation. Neither increased profits nor higher wages will avail unless the goods to satisfy the demand for necessities and luxuries are actually made. In this essential basis of prosperity our progress has recently been slow. As recorded above, the gain of the first nine months in 1934 over 1933 was only 5 per cent. Indeed, every month since May, 1934, not only registered a decline from the previous month, but stood below the same month of 1933. We seem actually to have been losing ground.

Why this halt in recovery? Not apparently because of the increase in manufacturing costs, since profits have risen even more. This very increase in profits, combined with the measures by which it has been achieved, would seem to indicate the answer. Under the NRA industry after industry was given the power to restrict output and fix prices, directly or indirectly, for the benefit of prof-

its. As a result, prices of industrial products have been held too high to encourage a great enlargement in the volume of purchases by farmers, wage-earners, builders or others who may invest in capital goods. In these circumstances the extra money put into the hands of farmers and wage-earners by government policy does not and cannot do the work expected of it.

It is very necessary, if production is to increase, for construction and the heavy industries to be revived. Must we wait for this until the frozen real estate debts are liquidated and another construction boom arises from private speculation? Or shall we attempt to stimulate it by heavy government expenditures on such things as high quality but low cost housing?

At present there are still approximately 11,000,000 unemployed persons —more than one-quarter of those normally working for wages. Industrial production in September was less than three-quarters of the level of 1923-25. It was still further below 1929; the index last September was 72 as against 119 for the last prosperous year. During the Fall the high point of the index was probably not above 76. On account of rapid technical advance since the onset of depression, the average worker can now produce about 15 per cent more per hour than in 1929. We shall not, therefore, have anything like full employment unless and until the index rises considerably above 119.

This is the problem before us; it will not be solved either by restricting output or by maintaining prices for industrial products so high that they restrict sales. The New Deal will be a miserable failure indeed if it continues to encourage measures which make possible the seeking of profit by reduction of the output of the means of life. Indeed, the total volume of profit cannot grow sufficiently by this means to pull out of the red that large number of business concerns which still confront the danger of bankruptcy. The aggregate deficits of those corporations having deficits were still, in 1933, about twice as large as the aggregate net incomes of those having net incomes. When industrial production fell, in the third quarter of 1933, profits also fell, according to the Federal Reserve Board, 30 per cent below the second quarter and 25 per cent below the same quarter of the previous year. Thus the conclusion is reinforced that without greatly enlarged real incomes on the part of the masses the proprietors of industry cannot prosper.

Italy's Colonial Empire

By Robert Gale Woolbert*

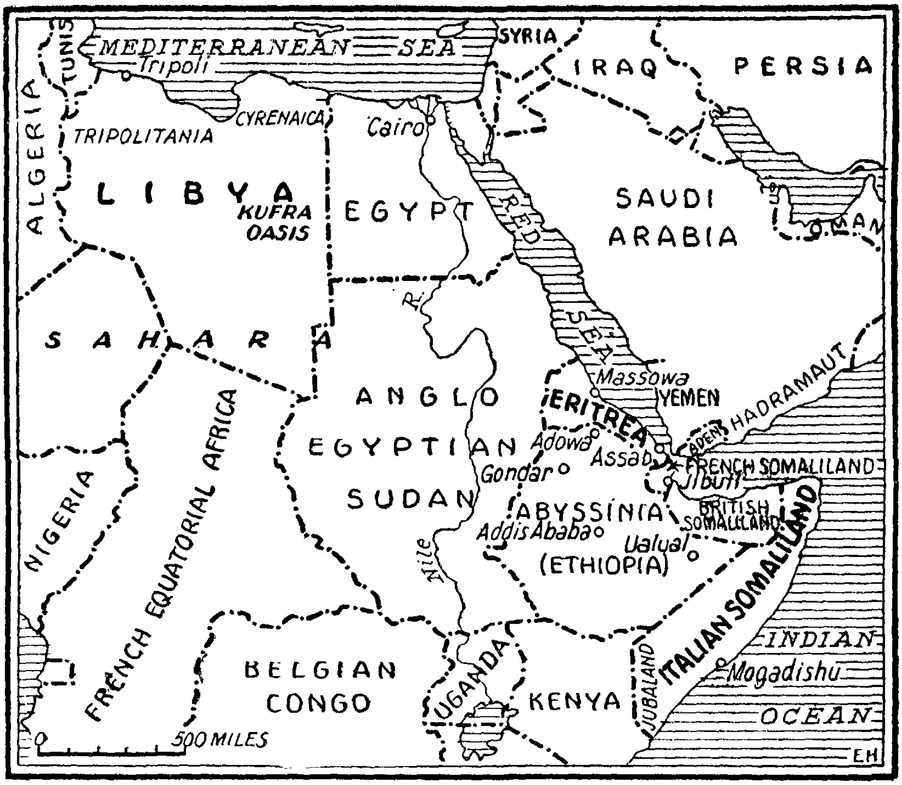
FIFTY years ago, *on Feb. 5, 1885,* Italy took her first decisive step toward the acquisition of a colonial empire. On that date she occupied Massowa, an Egyptian port on the African coast of the Red Sea. Until then Italian interests in the Red Sea had been confined to the desolate port of Assab, on the Strait of Bab-el-Mandeb, purchased in 1869 as a coaling station. But a colony based on Assab held out no prospects of development. Massowa, on the other hand, was the natural port for the trade of the northern Abyssinian plateau, and one of the outlets for the Eastern Sudan. Its occupation could have far-reaching consequences for both the colonizing nation and for Abyssinia, at that time under the rule of the Negus Johannes, and also vitally affect the critical situation in the Sudan.

Although Lord Cromer, the British agent in Egypt, denied that his country was responsible for Italy's occupation of Massowa, the documents tell another story. There were, in fact, several reasons why the British wanted the Italians there. The Egyptians were preparing to evacuate the port, and since the Gladstone Ministry opposed replacing them with British troops, the alternative was occupation by the Abyssinians, the French or the Italians. The Italians were the most desirable. There was, moreover, hope of relieving Khartum from Massowa, or at least of diverting some of the pressure exerted by the Mahdi, who was leading a revolt of the Sudanese tribesmen against Egyptian rule. As it turned out, Khartum fell eleven days before the Italians landed at Massowa.

Italy's motives in acceding to the British suggestion are less obvious. An articulate if not vehement agitation for colonial expansion had developed in Italy, especially after the French occupation of Tunis in 1881 and the British occupation of Egypt in 1882 (in which the Italian Government had refused a British invitation to participate). In the early Eighties there was taking place the "scramble for Africa," which culminated in the African Conference in Berlin in December, 1884. This conference made it clear that Africa was being pillaged from one end to the other, that even the supposedly anti-colonial Bismarck was now playing the game for all it was worth, and that any nation cherishing African ambitions must seize its last chance to fulfill them.

Although the Italian colonialists proposed to take Tripolitania and Cyrenaica from the Turks, the cautious government of Agostino Depretis did not take advantage of a propitious "diplomatic incident" involving the dignity of the Italian Consul at Tripoli to bring about annexation. Depretis feared, and rightly so, the

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Italy's African Colonies

effect on European opinion. But by the late Fall of 1884 he could no longer ignore the colonial agitation, much as he wanted to. To cap the climax, just as the Berlin conference was getting under way, news came that a party of Italians under Gustavo Bianchi had been massacred by the natives during their return from an official mission to Abyssinia. This was the third outrage of the kind within a few years. The assassins must be punished and Italian honor avenged! As soon as the question of national honor was raised, there could be no more hesitation. The government was therefore obliged to follow up the suggestion of Lord Granville, the British Foreign Minister, that Italy occupy Massowa, and in January an Italian expeditionary force sailed from Naples.

Satisfied as the Italian colonialists were with the government's decision to make the plunge, they nevertheless severely criticized the choice of Massowa instead of Tripoli. From the outset the Red Sea adventure was opposed by important political groups in Italy. Crispi at first declared himself against it, though after he became Premier in 1887 he refused, on grounds of national honor, to consider withdrawal, despite the demands of the Socialists, Democrats and the "Little Italians" in general.

Eventually he became the most exalted imperialist of them all, and it was under his "forward policy" that the Italians began to occupy parts of

the Abyssinian plateau. Later that *policy led to their crushing defeat* at the hands of Menelik's mighty hosts near Adowa, on March 1, 1896, and thereby to Crispi's political downfall.

Crispi's scheme of colonial expansion had been too grandiose and too expensive. Italy needed her limited resources to pay for unifying the nation and to become equipped with the physical plant of a modern industrial State. Nor had the Italian people yet been educated to an appreciation of the necessity for pouring out lives and treasure to establish a protectorate over Abyssinia, when at home there were plenty of swamps, slums and excessively large estates crying for attention. Worst of all, an imperialist program had to contend with the world-wide depression of the Nineties, which was especially severe in Italy because of the tariff-war with France, her best customer. Circumstances certainly did not favor Crispi's efforts, and it was a great relief to the Italian people when his successors renounced his colonial policy. Peace was made with Abyssinia whereby Italy retained Eritrea, substantially within its present frontiers.

The Italians were meanwhile penetrating into what is now Italian Somaliland. As early as 1889 protectorates were set up over the Sultans of Obbia and of the Mijurtines. Crispi was instrumental in creating chartered companies to administer Benadir, then under the suzerainty of the Sultan of Zanzibar. But the chartered companies proved unsatisfactory, and in 1905 the government took over the direct administration of the colony.

During the fifteen years after 1896 the Italian people paid little attention to the colonies and concentrated on domestic affairs. Nevertheless, the Foreign Office was unobtrusively obtaining the permission of the great powers to annex Tripolitania and Cyrenaica as soon as the opportunity should present itself. By 1909 all the powers had given their consent. The proper moment seemed to have arrived in September, 1911, before Europe had recovered from the Agadir crisis. Premier Giolitti, like Depretis in 1885, was anything but enthusiastic, but was forced by political considerations and the noisy agitation of the Nationalist party to declare war on Turkey on a quite insignificant though convenient pretext.

The Turks offered a far more obstinate resistance than had been anticipated, and might have been more successful if the outbreak of the Balkan War in 1912 had not forced them to come to terms. Turkey surrendered Tripolitania and Cyrenaica (together renamed by the Italians after the ancient Roman Libya), Rhodes and the group of islands known as the Dodecanese in the Aegean Sea. These islands hardly constitute a colony as the term is generally understood, and in fact are under the jurisdiction not of the Colonial but of the Foreign Ministry. Greek nationalist spirit is strong among the inhabitants, and there seems little doubt that the islands will one day be united to Greece.

In the interior of Libya the natives continued to oppose Italian arms. The gains made by Italy between 1912 and 1915 were largely wiped out during her participation in the World War, and effective occupation was reduced to the vicinity of Tripoli and a few other points along the coast.

After the war the successive liberal Ministries, though unwilling to evacuate Libya, refused to carry on military operations extensive enough to subjugate the tribes in the hinterland, above all the Senussi, who, from

the oases of Jarabub and Kufra, had for several decades virtually ruled the country. Turkish governors had openly admitted in Bengasi that orders from the head of the Senussi took precedence over those from the Sultan. To subdue these nomads would have required an immense amount of money and effort, for the expenditure of which the war-weary Italians had no stomach. Instead, peace was made with the natives, and a large measure of legislative and administrative autonomy was granted. But the arrangement having proved unworkable, Count Volpi, the Governor of Tripolitania, inaugurated early in 1922 (before the "March on Rome") a campaign of reconquest that by 1930 had "pacified" the entire colony.

The reduction of the Senussi strongholds in Cyrenaica was more difficult and was not completed without such drastic devices as the confinement of whole tribes in concentration camps along the coast and the construction of an unbroken line of barbed-wire entanglements for two hundred miles along the Egyptian frontier. Constructed at great expense across the Libyan desert under the pitiless African sun in the Summer of 1931, this remarkable barrier, truly Roman in its conception, kept the "rebels" from escaping or obtaining outside aid. Its erection demonstrated that the Fascist government meant to have done once and for all with armed opposition in Cyrenaica. By the end of 1931 pacification was practically complete.

Within the financial means at its disposal, the Fascist government has displayed the greatest energy in developing Libya, whose principal source of wealth is agriculture. But Libya lacks rainfall, and irrigation is impossible except from wells. Recently this shortcoming has been met by tapping the artesian water supply. The original program of large-scale plantations operated as capitalist enterprises was abandoned in 1928 for a colonization policy that would put as many Italians as possible on the soil.

Minister of Colonies Federzoni declared in 1927 that, with proper means, there could be 300,000 Italians in Libya within twenty-five years. At present there are 50,000 out of a total population of 750,000. A recently created settlement bureau hopes within thirty years to have 50,000 Italians on the Cyrenaican Gebel, where small-scale farming, grazing and lumbering can be carried on under conditions very similar to those of Southern Italy. In Libya 130,000 acres have been irrigated and supplied with trees. By June 30, 1933, there had been set out 1,744,000 olive trees, 1,607,000 almond trees, 17,000,000 grape vines and 2,000,000 trees for general reforestation.

Eritrea, remainder of Crispi's megalomania, has hardly any geographical, economic or political purpose. Its mountainous portion is culturally and historically a part of Abyssinia, while its lowlands are inhabited by various tribes, largely Mohammedan. Repeated attempts to settle Italian colonists on the plateau have failed. Eritrea has never been an economic asset to Italy and probably never will be. Mining and forestry offer few possibilities; cereals have to be imported to feed the 500,000 inhabitants. Recent efforts to start large-scale coffee and cotton growing, while technically successful, have suffered because of the fall in world prices.

The chief advantage Eritrea possesses is its position as the commercial outlet for Northern Abyssinia and as an entrepôt for the trade of the Yemen, with which Italy's ties were strengthened by the treaty of Sept. 2,

1926. What effect Ibn Saud's recent victory over the Imam Yahia will have on the Arabian trade that passes through Massowa remains to be seen. As the port of Northern Abyssinia, Massowa is handicapped by the lack of good communications. The projected railroad is still far from the Abyssinian frontier and its early completion is not expected in view of the condition of Italy's finances. Much Abyssinian trade will consequently still seek its way out through the Sudan and the French-controlled railway from Addis Ababa to Jibuti, the capital of French Somaliland.

In an effort to divert some of this traffic, Italy made an agreement with Abyssinia in 1928 for a free port zone in Assab and the construction of a highway from Assab to Dessié, an Abyssinian market town at the foot of the plateau. Abyssinia has so far done little to carry out her part of the bargain. According to recent rumors, one of the concessions France will make Italy in the colonial field is a share in the Jibuti-Addis Ababa Railroad. Even if this is true, it will scarcely help the hinterland trade of either Assab or Massowa. In 1931 Eritrea's foreign trade amounted to only 293,000,000 lire. Of Abyssinia's foreign trade, 65 per cent is with Jibuti, 25 per cent with the Italian colonies and 10 per cent with the British colonies. It is thus easy to see why Eritrea has never prospered. Vast sums have been spent to acquire, defend and develop the colony without there being much to show for it.

If and when the Abyssinians evolve a spirit of aggressive nationalism, what is there to prevent them from demanding the restoration of Eritrea? At present they are not prepared to fight a first-class power; for socially and politically they are only emerging from the feudal age. The hold of the central government over the outlying regions of Abyssinia, even when there is a strong monarch like Menelik or Hailé Selassié, is tenuous. Only in moments of grave national crisis, such as that preceding the battle of Adowa in 1896, can the emperor rely on fairly universal support from the local chieftains.

Yet even in her backward condition, Abyssinia could be a menace to Italy's East African colonies if given moral and material support by a European power, as was the case when France supported Menelik in the Nineties or when the Central Powers supported Lijj Yasu during the World War. The Italians realize that some day, sooner or later, Abyssinia is bound to try to seize not only the Eritrean plateau but a port on the Red Sea, thereby ending Abyssinian isolation.

Italian Somaliland, or Somalia, bids fair to become the most useful of Italy's colonies. Unlike Libya, it exports products that Italy herself cannot raise, such as bananas, cotton, sugar, kapok and cacao. The late Duke of the Abruzzi organized a company to exploit a concession on the Webi Shebeli, where a considerable tract, already cleared and irrigated, is now being cultivated, with sugar and cotton as the principal crops. Heavy machinery has been imported and the early stages of processing now take place in what fifteen years ago was an equatorial wilderness. This is a frankly capitalistic enterprise, directed as a unit by white technicians and worked by natives. Experiments in white settlement having failed, no colonization, as in Libya, is taking place. Italians furnish the directing personnel, but the manual labor comes from the natives. Here as elsewhere it has not been easy to impress upon the natives the virtues of laboring for the white man.

There are only a few miles of railway in Somalia, but under the Fascist régime the network of roads has been vastly extended and improved. The ports of Somalia are open roadsteads, difficult to approach during the monsoons. The harbor of Mogadishu, the capital, is now being enclosed with a breakwater. It is hoped that Somalian ports will eventually become outlets for the trade of Southern Abyssinia, but as this is the most barbarous part of that country, the volume of commerce will necessarily increase slowly. Indeed, this region has not yet been thoroughly explored or the international boundary definitely established, a fact that explains the ease with which border incidents occur there.

Crispi's imperialist policy was seriously hampered by the absence of a well organized colonialist propaganda and by the shortage of experienced colonial administrators. Since the World War both these problems have been given increasing attention, until today it can be said that the reading public in Italy is "colony-conscious" and that well-trained colonial officials are not lacking. The Italian (now Fascist) Colonial Institute, organized in 1906, gives courses in colonial history, economics, administration, languages and so forth. At the larger universities are offered courses in colonial subjects. In addition, there is an Oriental Institute at Naples, a Colonial Institute of Agriculture at Florence, as well as schools of tropical medicine and colonial botanical gardens elsewhere. In each of the ninety-three provinces of Italy there is a branch of the Fascist Colonial Institute, which serves as a centre for colonial propaganda. There are over a dozen periodicals devoted to colonial problems, some of them of recognized scientific standing. Numerous lectures, conferences, moving-picture exhibitions and inexpensive group tours to the colonies are sponsored by the organizations.

These multifarious activities, in most cases subsidized by the government, have been aimed at preparing public opinion for a vigorous imperialist policy. The Italians have been made conscious of their undeniably substantial colonial achievements and have had their appetites whetted for a still greater empire.

When Grandi was Italy's Foreign Minister he once told the American Ambassador that, if he could come to terms with France in Europe, the African differences could be cleared up in short order. This, indeed, is the only rational policy for Italy. As long as Mussolini is so deeply involved in Central Europe it would be madness to embark on an adventurous policy in Africa, even if he could afford it financially, which he certainly cannot. Even if France and Great Britain gave him a free hand to go ahead, and lent him the money to do so, he would find Abyssinia just as mountainous and the national resistance just as determined as in 1896. Victory could be purchased only for a price out of all proportion to its value.

Italy, not without justice, believes that her allies failed to fulfill the spirit of the Treaty of London (1915), under which she was to be compensated in case France and Great Britain annexed the German colonies. The fact that those colonies were acquired not as outright possessions but as mandates does not, she feels, void the bargain. At Versailles Italy was given no mandate. Perhaps if Sonnino had not been so exigent in the Adriatic he might have been more successful in Africa.

Thus far Italy has received as compensation only slight "rectifications" of the Libyan frontiers (from France, Great Britain and Egypt) and Juba-

land (from Great Britain). Further French territorial concessions were reported as part of the new pact signed between France and Italy on Jan. 7, but at this writing the terms of the agreement had not been published.

There has been talk of transferring the troublesome Syrian mandate from France to Italy, but these rumors are always denied. Rather than Syria, Italy would like the mandate over the Cameroons, an African region that could supply her with many products she must now buy abroad. Only as a last resort would France surrender either the Cameroons or a corridor from Libya to Lake Chad that would separate her West African from her equatorial possessions.

In East Africa the rivalry of the great powers is complicated by Abyssinia's native imperialism. Less than half the Abyssinian population consists of the Christians who speak an Amharic language and have for centuries constituted the Abyssinian nation. The rest of the empire is composed of numerous tribes, largely Mohammedan, such as the Danakils, Somali and Gallas. Except along the frontier of Abyssinia and Eritrea, the Abyssinian plateau is cut off from direct contact with European possessions by buffer-peoples over whom Abyssinia has no more rights based on the principle of national self-determination than has any other power. These subject peoples have accepted Abyssinian rule because they were obliged to by the Abyssinian Army or because they preferred the lax rule of Addis Ababa to European exploitation.

Abyssinia's cue is obviously to play off the powers against each other, and among those powers must be included Japan, now energetically invading East African markets. For the last forty years Abyssinia's main reliance has been France. But this is not necessarily permanent, for France's place might be taken by another power. Or, still worse for Abyssinia, she might be forsaken by all the powers. Her only protection then would be the League of Nations. We are likely to discover in the next few months how heroically the League will defend Abyssinia.

Red Failure in Nationalist China

By WILBUR BURTON*

COMMUNISM in China, now fast failing, even if that does not mean its immediate elimination, has had a peculiarly tragi-comic history.

The first stage, 1925-27, was marked by the cooperation of the Soviet Union with the Chinese Nationalists (Kuomintang). This provided the chief impetus for the rise of the present Nanking government, which promptly broke off relations with Moscow, outlawed all Communists and their supporters and instituted a régime of more ruthless reaction than any China had ever known.

In the second stage, 1927-31, the Communists were kept in check, if not completely suppressed, in the large cities, but they made such great strides in the rural districts that they were able on Nov. 7, 1931, to set up the "Soviet Republic of China" in Kiangsi and parts of adjoining provinces. During this period the whole Yangtse valley from Shanghai to Hankow would probably have gone Red but for foreign control of the key cities and the river.

In the third stage, beginning in 1932 and not yet completed, the strength of the Chinese Communists has waned steadily. As this is written, their capital, Juikin, Kiangsi, is in imminent danger of being captured by the forces of the Nanking Government, and the area of their control has been reduced to probably not more than 100 square miles.

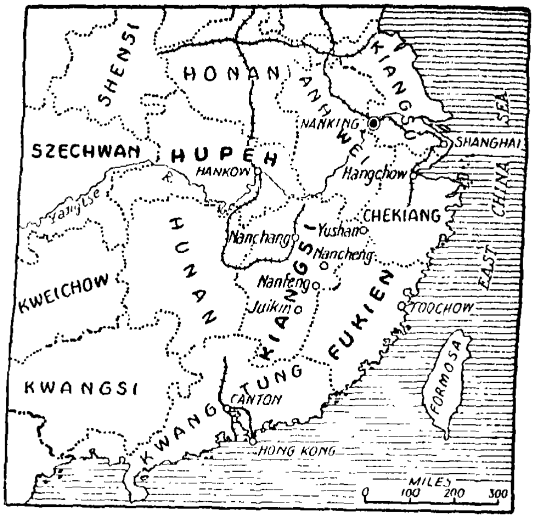
No area of the inhabited earth has ever been so little known as that of the Chinese "Soviet Republic" as it is today or as it was at its height. Except for a few Russian Bolshevik agents no foreigners have visited the capital, and those who have been unfortunate enough to come into contact with the Chinese Reds have been kidnapped. Even first-hand reports by Chinese Communists are rare, since hardly more than a nominal connection now seems to exist between Juikin and the underground Communist party in Shanghai. All current literature on Soviet China is based on second-hand information. For these reasons one should be skeptical about statements that the "Soviet Republic" includes from one-sixth to one-fourth of China in area and population or that China has a Soviet State of 80,000,000 inhabitants that is successfully functioning according to Marxian principles.

The "Soviet Republic" at one time embraced an area of several hundred square miles with a population of perhaps 50,000,000. It included much of Kiangsi and part of Fukien. Although self-supporting in food, it never had any appreciable industry, no heavy artillery, few machine guns, and only five airplanes, none of which has recently been used through lack of oil and spare parts. There is an arsenal at Juikin, but according to General Kung Woo-chung, former chief of the Red Fourth Route Army, who surrendered to the Nanking forces, absence of raw materials has made it useless.

Meanwhile, the Nanking govern-

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ment has concentrated about 200 airplanes and an army of between 1,000,000 and 2,000,000 men, better equipped than any other previous Chinese army, in the area around the "Soviet Republic." The size of that army may sound impressive, but Nanking's soldiers cannot always be trusted. Until 1932 the Red armies were armed and recruited chiefly through the defeat or desertion of Chiang Kai-shek's forces. But the aviators, some 300 of whom have been trained during the past two years by American instructors in Hangchow, are drawn from the bourgeoisie and their loyalty to Nanking is unquestioned in so far as crushing the Reds is concerned. Since the advent of large numbers of airplanes on Nanking's side the anti-Red war has been a contest between poorly equipped peasant soldiers and a rain of bombs from the sky. At the same time, foreign policing of all the key cities of the country has eliminated Red elements among the proletariat and prevented the Red armies from capturing the cities.



Centres of Chinese Communism

The early history of communism in China is well enough known not to require more than brief mention. Before the Bolsheviks were even firmly established in Russia they were making overtures to China on an anti-imperialist basis. This resulted in 1923 in a pact between the Soviet Union and Sun Yat-sen for cooperation to bring about Chinese national unity, but without communism, which was recognized as not immediately practicable.

World conditions appeared to favor China's bid for national independence. The World War had broken the united front of the powers. Great Britain, the chief imperialist nation against which the Soviet-Kuomintang alliance was to aim, was troubled by labor unrest at home and disaffection in India. Neither French nor American interests were important enough to justify intervention. In Japan there was profound discontent and, besides, that country was not likely to aid Great Britain since the Anglo-Japanese alliance had been ended. Japan was quite content to see Chinese nationalism play havoc with Western interests and thus clear the way for her.

From the standpoint of communism at the time the stage was almost ideally set. If imperialism is the last stage of capitalism, as Lenin said, and if China could achieve national independence, the capitalist front everywhere would perhaps be mortally weakened, all Asia would probably follow China's example and revolution in many major Western countries would ensue.

But practical weaknesses within China quickly developed. First, the peasants in the Canton area sought

land redistribution, and were put off with a decree of a 25 per cent rent reduction, which the landlords ignored. Later, the workers in Shanghai went on strike against conditions in Chinese factories. When the peasants found that not even rent-reduction decrees were enforced they started killing the landlords, at first in Hunan in 1927. When the Chinese bourgeoisie of Shanghai found that the Nationalist movement they had been supporting meant labor troubles in their own factories they became increasingly anxious to oust the Red troublemakers. Meanwhile, the Communist-led Nationalist forces had advanced to Hankow, seized the British concession there, and threatened to end all special foreign interests in China.

Early in 1927 these conditions led to an accord between the foreign powers and the Shanghai bourgeoisie. Chiang Kai-shek, leader of the Nationalist armies, on reaching Shanghai in March, 1927, after the city had been taken over by armed workers, split with the Communists and established a new government in Nanking, which subsequently triumphed over both the pro-Communist régime in Hankow and the old feudal régime of Chang Tso-lin in Peking. At the same time the Chinese were granted equal treatment in Shanghai parks and given representation on the municipal council of the International Settlement, the foreign powers agreed to Chinese customs autonomy, and Western imperialism was somewhat curbed in favor of Chinese business. Further, the Chinese seizure of the British concessions in Hankow and Kiukiang was legally confirmed by agreement.

At the same time, also, the Kuomintang was "purged" of all Red and pro-Red elements, relations with Moscow were broken off and Chinese Communists were driven underground or slaughtered by the thousand. Those fighting the Communists were men who knew them as former comrades, and they had direct and efficient foreign aid. Every key city of China was either governed by foreigners in large part or was within range of foreign gunboats. However nationalist the Chinese bourgeoisie might be, they would not—least of all by Marxian logic—allow patriotic scruples to handicap class interests.

Thus the Communists had not only to fight the Nanking government but also all the foreign powers as represented by the Shanghai Settlement (where a large number of soldiers and marines are always stationed), the concessions in the other principal cities and the warships that are constantly in all Chinese harbors and patrol the Yangtse and other waterways. Since the Communists were opposed to foreign interests as much as to the native bourgeoisie, the Imperialist-Kuomintang alliance had a firm basis.

The first attempt by the Communists to regain their position was made in Canton on Dec. 11, 1927. Taking advantage of the absence of troops, who were engaged in civil warfare, a group containing at least a few Russian Red agents staged a coup. The result was a short-lived commune. Within three days the "White" armies were again in control and fully 5,000 Reds and suspected Reds were slaughtered in the streets. Here no direct foreign assistance was given because none was needed, though the foreign gunboats used their radios to mobilize the Chinese "White" troops.

The next attempt was on July 27, 1930, when Changsha, Hunan, was captured by Ho Lung's Red Army. Here the Reds were bombarded by British, American, Japanese and Italian gunboats and forced to retreat after five

days. Imperialist-Kuomintang harmony in this emergency was thus summed up by the *China Weekly Review* on Sept. 6: "In this instance the foreign gunboats were on the side of the Chinese Government in helping to re-establish order, something which the Chinese Government manifestly was unable to do; hence there has been no outcry on the part of the Chinese authorities at this most recent activity of foreign gunboats in China."

Since the bulk of rural China is beyond the range of foreign guns it was, during the 1927-1931 period, in a chaotic condition because of civil wars. This gave the Communists a chance to establish a base, particularly in the southern areas where land hunger was most intense. How well they seized the opportunity is shown in a report made to the Nanking government in July, 1931, by Yang Chien, assistant director of the National Research Institute, who was murdered by gangsters in Shanghai in 1933 for participation in the China League for Civil Rights:

"In 1930, out of 81 counties in Kiangsi, 76 were wholly or partly Sovietized; 50 out of 69 counties in Hupeh Sovietized; 15 counties in Southern Hunan Sovietized, and Anhwei, Szechwan, Fukien, Chekiang, Honan and Shantung affected. * * * In Kiangsi the agrarian revolution has included confiscation of all public lands and temple lands and land owned by the squires and landlords. Deeds and leases were burned and landmarks removed. The land is redistributed regardless of sex. As in Russia, in the beginning the agrarian revolution has created new vested interests which fight fiercely to support communism. * * * The Red Army is divided into fourteen armies totaling 70,000 men." Later it increased to 300,000.

Able to resist all attacks by Nanking during the 1927-31 period, the Reds on Nov. 7, 1931, indulged in their most grandiose adventure by formally proclaiming the "Soviet Republic of China" at Juikin, Kiangsi. The area was entirely without modern industry or even an adequate basis for industry. It had no outlet on land or sea, and to obtain such an outlet would have required forces large enough to defeat not only the anti-Red armies of Nanking, Canton or the Fukien area, but also the foreign forces which were mobilized whenever the Reds neared a Yangtse or coastal port. But the native forces have always proved capable of handling every emergency since the Changsha episode, though the mere presence of foreign gunboats has no doubt had its effect on the Red morale.

Since there were no industries in the Red areas the only important economic measure that could be instituted was land redistribution. That is not communism but merely the replacement of one class of land owners by another. Communism, according to its proponents, requires proletarian, not peasant, leadership, and this has throughout been entirely lacking in the "Soviet Republic of China." Moreover, the rural Reds, in kidnapping foreigners and holding them for ransom, behaved as bandits rather than as Communists.

Presumably, however, the Communists regarded the rural adventure as transitory, to be followed by urban uprisings in support of the Red army. If so, they were more romantic than realistic. No party could possibly survive intact the merciless oppression to which the Communists have been subjected in such a place as Shanghai, the chief industrial centre of China, where they were naturally most numerous and powerful. They have been hounded day and night by both for-

eign and native police and ferreted out by former comrades who have become police spies. The leaders, when captured, have faced execution (perhaps by torture) if they did not voluntarily recant. Further, the Nanking government has been able to obtain control over all labor unions, largely by tactics learned when its outstanding members were allies of the Communists. Meanwhile, foreign soldiers, sailors, marines and police have stood ready to protect the key cities against any error or inefficiency on the part of the native guardians of the bourgeoisie.

Today there is hardly any contact between the Chinese Red armies and the surviving urban Communists, from whom it is certain the Red military leaders would not take orders. Nor is it likely that the Red armies are receiving any real aid from Moscow. Disaster crowned the last known attempt to give such aid through the Noulens couple, who were arrested in Shanghai in 1931 and are now serving life terms in a Chinese prison.

Although successful in curbing, if not in entirely suppressing urban communism, Nanking was not able until 1932 to reduce the extent of the rural Red areas. In that year the threat to Hankow was removed, both banks of the Yangtse as far as Ichang were cleared of Red forces, and also most of Anhwei (which in the previous year had become largely Red) was reclaimed. Indirect foreign assistance aided largely in this achievement owing to the part played by foreign gunboats in patroling the Yangtse and keeping it open to navigation. During 1932 Nanking also succeeded in destroying the long-standing Red challenge to vital communications such as the Peiping-Hankow, Hankow-Changsha and Kiukiang-Nanchang railways.

Early in 1932 Chiang Kai-shek began to create an air force. Today he has 300 or more airplanes with fully one-third efficiently equipped for bombing operations, and new machines are constantly being purchased and additional aviators being trained. By aerial bombing and infantry advances large areas have in the last year been completely recovered from the Reds, and the infantry advances have been consolidated by the erection of great chains of blockhouses manned by trusted soldiery.

Success in the anti-Red warfare has for the most part coincided with the Japanese conquest of Manchuria, Jehol, part of North China and Shanghai. When the Japanese began to move forward Nanking made it clear that this development would not be allowed to interfere with the anti-Red campaign, and patriotic appeals were issued to all anti-Nanking factions except the Communists to sink their differences for the sake of a united nationalist front. Chinese big business more or less openly admitted that it regarded "the Reds as a greater menace to China than the Japanese."

Not only was resistance to Japan neglected in order to carry on the anti-Red war, but many of the airplanes which have recently been effective against the Reds were bought with funds raised by popular subscription under the pretense of building up an air force to oppose the Japanese. This money-raising campaign was Nanking's last formal anti-Japanese act. When it was concluded the Tangku truce was signed (on May 31, 1933) by which the Chinese Government pledged itself not to take any further steps against Japan. The first use of the new airplanes was to destroy the famous Nineteenth Route Army which had made a truce with the Reds in order to fight Nanking.

Since then the airplanes have been employed against the Reds themselves while Japan continues in various ways to strengthen its hold on China.

Various Red armies still exist in seven provinces—Kiangsi, Fukien, Kwangtung, Hunan, Hupeh, Kweichow and Szechwan—but only in Kiangsi and Fukien and in Kweichow and Szechwan do they any longer display any real fighting ability, and those in Kiangsi and Fukien (where the "Soviet Republic" is located) are being rapidly driven into Kweichow and Szechwan.

For many years the Reds have been, paradoxically, the only unifying force in China, for opposition to them has been the only connecting link between the foreign imperialists (including the Japanese) and the native bourgeoisie and rural gentry. The complete wiping out of the Reds might thus lead to new conflicts. Chinese bourgeois nationalists, such as are best represented by the Canton faction, are strongly opposed to Japan. Both the anti-Nanking and the Japanese forces might seek to diminish Nanking's military power since it is no longer needed for anti-Red warfare. And there is always the possibility that some of the defeated Red armies might discard their Communist ideas to form an alliance with anti-Nanking forces in the interests of self-preservation.

Chiang Kai-shek must therefore move warily. His air force today is probably strong enough to end all organized Red opposition. That would mean the reduction of surviving Red forces to guerrillas, but from his standpoint haste would be dangerous. So far the anti-Red warfare has enabled him to build up the largest and most efficient military machine in Chinese history. Airplanes alone are not very effective against guerrillas. and successful policing of recovered Red areas depends on loyal land forces, blockhouses and roads, which need time to be developed. It is therefore interesting to note that the Reds are now being allowed to retreat almost unscathed into Kweichow and Szechwan. Airplanes could wreak great havoc among them in those provinces, but Chiang Kai-shek is not now prepared to extend his policing thus far, especially as Red bases in either remote Kweichow or Szechwan cannot directly threaten the Yangtse Valley.

The failure of communism in China is due to special circumstances adverse to its success rather than to any inherent inapplicability of Marxism to the purely native milieu. Both the peasantry and the proletariat have shown themselves eager for Red leadership whenever the opportunity has arisen. The one constant anti-Red factor has been imperialism; but for foreign policing, urban communism could not have been reduced to impotence nor could the rural Red armies have been prevented from establishing a port that would probably have enabled them to develop a genuinely powerful State.

Social Insurance Is Not Enough

By BROADUS MITCHELL*

WE are entering the sixth year of the depression. This means that we have already stood almost as much business funk as America has ever yet been called upon to endure in a single stretch. Usually our bad times have been briefer.

In these five years public hopes have alternately been buoyed up and disappointed. We have been distracted from the immediate effect of our troubles by the announcement of novel projects calling for united loyalty. Trust in reform has diverted us from the inadequacy of emergency measures of rescue. Nostrums, some idealistic and others dictated by class interest, have been offered on all sides, and the confusion of voices has delayed concerted thinking. Undoubted improvement, mainly through Federal expenditure, has been marked by conspicuous gains here and there, only to be matched by dismaying setbacks elsewhere and by some appalling positive losses.

The American people have learned that both rescue and remedy require patience. They know that neither ex-President Hoover's wishful thinking nor President Roosevelt's more purposeful action can turn the trick in a trice.

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The upshot is that social security becomes the sober, insistent demand of more and more people. This was evident in the outburst of query and rebuttal that greeted President Roosevelt's speech to the Security Conference on Nov. 14, in which he reduced former promises to a single proposal, for the present, of unemployment insurance. Forthwith Secretary Perkins and Relief Administrator Hopkins rushed in to explain that the President did not mean to dash hopes he had raised, and he himself soon followed with his own disclaimers.

The mere length of the depression is responsible for the cry for social security. For this there are perhaps three particular causes. Without trying to give them in the order of importance, the first is the extent to which those of the lower middle class, small business and professional people and clerical workers have been involved. Where they have been able to avoid applying for public relief, direct or indirect, their private resources have been gradually exhausted, and family assistance has been resorted to. The members of this group are more articulate than are the manual workers, and they are moved by inability to educate their children and to discover a livelihood for them.

A second cause is the mass of the unemployed and the staggering burden of their maintenance. We pushed this problem into the background of our thoughts as long as we could. President Hoover at first denied that there was any serious unemployment problem, then appealed to local pri-

vate charity to care for the victims. Municipalities and counties had to take over the task, and came to the end of their resources. States were on the way to scraping the bottom of their tills when President Roosevelt came in with a prompt supply of Federal funds.

At first it was believed that this support would prove sufficient. When public works dragged, the CWA was launched, and the official hope was that when CWA was demobilized workers would find places in private industries. This illusion quickly vanished. Washington again shouldered the burden and at the same time warned the States that they must soon be prepared to bear about half the expense.

This ultimatum brings the question home to local taxation, and many devices are passed in nervous review. With the recent announcement of William Green, president of the American Federation of Labor, that, despite all efforts, we have 500,000 more people without jobs than a year ago, a large and more or less permanently unemployed body of men and women looms ahead. Unemployed manual workers begin to abandon hunger marches for the urging of constructive proposals. How long can we go on, everybody asks, with five people required to support a sixth?

A third cause contributing to the demand for social security is the paradox of pauperism in the midst of abundance. We at first spoke of this as something strange in economics. The attempt to get rid of it by abolishing not the poverty but the abundance shocked us. Artificial scarcity, through the limitations in the industrial codes and the restrictions of the AAA upon farm output, seemed at first a desperate remedy, and now impresses itself as a moral enormity. The drought looked to some like a remonstrance of heaven, and impending visits of the taxgatherer did not dispel the thought. Increasingly the notion dawned on us that where 16,000,000 or 20,000,000 people are in a state of semi-starvation pork is more important than profits. What this suspicion implies reaches wide and deep, but it is not being followed out by the American mind at present.

So far it seems enough to provide for social security by means of social insurance. It has taken us a long time to accept this idea, much longer than it took the countries of Europe with their denser populations and lower standards of living. We are only beginning to understand the questions that even this limited program raises, and there are still large elements of the population indifferent and others downright hostile to attacking these problems. Thus it is natural that we should linger for some years in the vestibule of social security offered by compulsory insurance schemes. Yet, if the capitalist leopard does not change his spots, we shall be driven to much more radical defenses against dependence due to economic breakdown.

Social insurance is not enough because of fundamental defects in our prevailing mode of producing and distributing wealth. No insurance plan can be more solvent than the economic structure upon which it rests. Insurance means converting individual uncertainty into collective certainty. But when we try to include the great mass of the population we suddenly discover that there is no social certainty. In other words, when we make the sum of the risks practically identical with the social causes of those risks insurance becomes impossible. As Mary Van Kleeck has said, "insurance conceived as provision in

advance for needs which, though not foreseeable for the individual are measurable for the social group, breaks down when needs are no longer foreseeable on the basis of past experience but are expressed in a change of social trends."

Many will say: "No, that is not the case. Here we have a country and a population capable of enormous production. It is true that we have alternations of activity and lapse, of prosperity and recession. In periods of overproduction we may make provision against succeeding periods of under-consumption."

This answer is suggested by the recollection of Joseph of Pharaoh's Egypt. It discloses the naïve belief that now as then the problem is one of the distribution of goods over a period of time. Joseph in fat years stored up grain to be dealt out in lean years. He was faced with only simple questions of production and consumption. But today production and consumption are controlled, to a degree unknown to Joseph, by a price system which in turn is made to be the servant of the profit motive. Our problem in bringing about economic stability is not one of goods but of market values. Our economic ups and downs are not due to the eccentricities of nature. Our difficulties are not physical. Embracing a wide area in our economy, and applying our scientific knowledge, we can, so far as agriculture, engineering and transportation are concerned, make nature yield abundance steadily and in increasing amounts. Our vexation arises from the failure of our price-and-profit system to work in harmony with our productive capacities.

If Joseph were alive today and we wanted him to provide us with social security, he would immediately demand that we abolish the price system. He would at least demand such a far-reaching control of that system as would amount to an abandonment of its supposedly automatic adjustment of production and consumption.

Why is it that social security through social insurance is rendered difficult if not impossible by capitalism, which consists in the private ownership of the great means of production and their operation for profit through the instrumentality of prices?

Obvious limitations of social insurance may be passed over quickly. Consider such plans as have been put forward for unemployment insurance in the United States. Benefits are inadequate to maintain the workers' standard of living. The waiting period, before any benefits are paid, runs from two to four weeks in most of the leading legislative proposals. The benefit itself is usually set at 50 per cent of wages, with a maximum not over $15 even where dependents are separately allowed for. All but the Workers' (Lundeen) Bill restrict the period over which benefits are paid to twenty-six weeks or much less, and the liability of the fund is ordinarily limited to its resources. Benefits in most cases are not to begin until contributions have been paid for a year.

Thus it is clear that in case of protracted unemployment, whether due to a business slump or to technological changes, relief in some form must take up the burden which insurance alone cannot carry. This has been the experience with the chief unemployment insurance schemes in Europe. Unemployment insurance, when inaugurated in this country, must necessarily begin slowly. Employment and payrolls are down, which means that the fund will have a narrow base. It will be long before those now unemployed can be brought into the scheme.

Even if the contributions to the fund come entirely from the employers, the employes bear more than half of the cost of unemployment, for the reasons just noted and because much of the cost to the employers will be passed on in increased prices to the consumers, the great bulk of whom are workers. It will be extremely difficult for workers in the lowest wage groups to contribute directly.

It now appears that the President's committee favors State unemployment insurance measures rather than a single compulsory Federal system. Employers in a State that does not enact a law or that requires employer contributions lower than those of other States will have a competitive advantage. Uneven State action has long been a drag upon progress in social legislation.

If the contributions of the employers are high enough to accumulate a useful fund, they may be high enough to make it worth while to introduce more labor-saving machinery, and thus aggravate the unemployment problem. High employer payments into the fund may drive marginal employers out of business, again diminishing employment.

Most of the bills that have been brought forward exclude large groups of the working population—farm laborers, domestic servants, casuals, and those employed in small establishments. It is estimated that half of the wage-earning Negroes would not be embraced in these plans.

Most of these shortcomings may be removed by the progress of legislation, but there will still be the difficulties arising from the investment and liquidation of the insurance funds. To be readily convertible, the bulk of the funds will be invested in public securities, probably municipal and State as well as national. Let us take the best case and say the volume of these securities is greatly increased to meet the augmented demand for them. This new revenue of governmental bodies cannot be held idle, for interest must be paid on the bonds.

The funds would naturally be used to promote public works. But in good times, when the huge sums would be invested in this way, public works are not especially needed. Indeed, they would serve to accentuate the steepness of the prosperity curve. Neither would public works be needed in a period of active business to absorb unemployment. In the recession phase of the business cycle, when unemployment is on the increase, some part of the securities may be sold, though this must be to the detriment of public bodies when they have to undertake new borrowing, and at the expense of the withdrawal of investment from private industry. To the extent that it might be necessary to invest the insurance funds in industrial securities and mortgages, the results would be worse. The public bonds, in times of heavy unemployment, would most probably have to be made the basis of currency issues, and that would amount to an indirect method of inflation.

Looked at in the large, the accumulation of enormous social insurance funds is dangerous because any great addition to savings and reduction of consumption in the upswing of the business cycle is a further threat to the stability of the capitalist economy. What this system needs is not more plant, more production, but a relative enlargement of consumption.

Only sickness insurance and survivors' insurance (widows' and orphans' pensions, really the familiar "life insurance") can have actuarial basis. Important as these are, they are

not the objects of the present demand for social insurance.

Social provision for old age, whether in the form of insurance or pensions, is less susceptible of calculation. Economic old age does not wait upon individual physical infirmity, but is a function of the productive system of the country. The call is to provide for industrial old age, which under the present system, comes on earlier and earlier as the technique of production improves. We know precisely how many people there are in the country 65 years of age and over, and we can calculate with tolerable accuracy how many there will be in this group for a good many years to come.

But this is not the problem. We are reluctantly drawn from the relative certainties of birthrate and mortality to the imponderables of scientific discovery and application. Bodily vigor is no longer the determinant. The jealous turbine and the gears and wheels and drills that it drives bring in new and irresistible compulsions. It would seem that this situation demands recourse not to insurance but to tax levies.

If it is difficult to forecast the magnitude of old-age dependency, it is impossible to confine unemployment to the demands of the actuary's art. Seasonal unemployment in established trades may be dealt with over short periods of time, but cyclical and technological unemployment burst all bounds. The beginning of wisdom in meeting these terrifying disorders is the recognition that they are inherent in the capitalist economic system.

Dreadful as cyclical unemployment is, we have found in the past that as a social phenomenon it disappears for a time. We now become conscious of a new and more fearful menace in technological unemployment. As distinguished from the cyclical sort, this appears to be a fairly steady growth. Responsibility for the occasional depression can be assigned, like earthquake or tornado, to the anger of God, but not so the throwing of men out of work by the application of giant power to labor-saving machines.

These are the fruits of human ingenuity. We begin to see that we are doing more than throwing out workers. We are throwing out work itself. The students and propagandists calling themselves Technocrats, however discredited they may be in academic eyes, and however abandoned in popular notice, are essentially correct in declaring that our new proficiency in production invalidates the price system. Columbia University has purged its precincts of their presence, but the discernment of the Technocrats is justified with every passing day.

The fact is, disguise it as we may, that we have gone from scarcity to abundance. The economic ideas appropriate to an economy of privation no longer apply. The old dogmas are in the discard, for a relatively static society has been replaced by a conspicuously dynamic one.

Men, since they learned to exchange goods and use money, have entertained three successive conceptions of wealth. The Mercantilists considered that wealth was cash. The *laissez faire* school thought and still thinks that wealth is commodities. The collectivists, their preachments at length confirmed by the march of events, know that wealth consists in neither cash nor commodities but in capacities.

The demands of the power age run counter to the underlying notions of social insurance. Insurance draws its purpose from a period of scarcity; our present trouble is surplus. Insurance is prompted by fear, but now we are invited to social self-confidence.

What we need is to control the energies at our command. We should not be anxious to socialize a part of the product, but resolve to socialize the *whole of the power. Worse than hunger and rags is the impoverishment of* our minds.

Social security to Joseph in Egypt meant provision for consumption. But social security to President Roosevelt in capitalist America sets the far more difficult task of stimulating production in a price system which has collapsed from too much production. He finds that he must go forward and backward at the same time. With his hopes fixed upon the raising of prices as the best means of encouraging industry and agriculture, he begins, ironically, by restricting output.

Disappointments follow—more people are thrown out of work; prices rise faster than wages; consumption is consequently restricted; relief allowances have to be increased unless the unemployed millions are to suffer beyond endurance; heavier tax burdens are imposed upon consumers and producers alike. To circumvent higher operating costs, industry installs labor-saving equipment, or, if prevented from doing so by code restriction, makes workers tend more of the existing machines. In either event output is swelled and prices tend downward; if, nevertheless, prices are artificially maintained, unsalable surpluses are further piled up.

The President had historical warrant for supposing that weakening confidence in the currency would raise prices, but it turned out that the economic system was too run down to respond to the tonic. The result, rather, was a case of nerves in the form of a total disappearance of capital investment. This has impeded the further objective of restoring industrial activity and putting men back to work.

The longer the depression lasts, the more rapid the rate at which American economic opinion is changing in favor of governmental interference *leading to outright collectivism.* American economic opinion does not mean the views expressed by professors of the science, most of whom have hung back from the plain teachings of experience, while the most progressive have steamed into the fog of the New Deal, and anchored there. It means rather the gratified acceptance by the man in the street of the radical departures which are continually being forced upon the Washington administration.

Public housing is a case in point. Deferring at first to the claims of private ownership of land and private initiative in building, the administration has discovered that it must more and more drop the inhibitions which go with support of capitalism, and now winds up by assuming practically complete responsibility for both funds and enterprise. Here is government detouring around or even plowing through the obstructionism of a great private industry, with all its linkages to private finance, and addressing itself directly, although belatedly, to a task that needs to be done. This solution satisfies the average citizen. It is safe to guess that the pleas of the bankers will not be heard very far. To remind us that the mortgage market will suffer is to bring the reply, "So what?" The sanctity of debt has always made a poor appeal. It is amazing that we have so long been willing to tighten our belts while we are taxed in order to pay farmers to destroy food.

More and more of us are coming to see that private profits are the sand in the bearings of the New Deal machine. The task of placing goods at the use of consumers is hindered at

every turn by allegiance to the capitalist mode of production and distribution, which has become increasingly unworkable.

Social insurance in an age of plenty is a standing admission of capitalist failure. Its inspiration, on the part of its ablest upholders, is the classical economic habit of pessimism, touched with humanitarian mercy. As seen by more realistic advocates, social insurance is a canny way of robbing the people of their heritage. It is not generous, as they would have us believe, but grasping. It throws a sop to discontent. With social insurance the favored minority buys off the demand for social reorganization. We are told that contributory insurance schemes preserve and even bolster the worker's self-respect, that when he gets his old-age pension or out-of-work pay he is simply taking back his own, enjoying the fruits of the privation which he imposed upon himself in better times. The American people will, I believe, reject this cheap deception.

Social insurance is not enough. To accept it and not press for more is to meet a thief and agree with him. To be satisfied with the prospect of social insurance is to argue ourselves fit subjects of mere patronage. What is due us is the release of our energies. Why should we be beguiled with the crumbs when we have set the table for the banquet? But beyond that, it is not goods we need to socialize, but the capacity to produce them. We should expect to socialize not so much the past as the future. We must socialize opportunity, not pandering to fears, but planning to lay hold upon the promise which is offered us by our ingenuity and our rich natural resources. We should lay our schemes not for unworthy maintenance of idleness, but for widespread enjoyment of leisure.

The existing physical plant of the United States is worth in money vastly less than it was five years ago. Its value was built upon the profits it produced, and when these fell away, capital worth shriveled. Obsolescence, even more than outright deterioration, has taken its toll. Society may buy out the capitalist class cheaply. In fact, we are doing exactly this by the disguised method of Treasury subsidies to industry, to banking, private insurance companies and distributive agencies. The government becomes the majority stockholder in many corporations. Public management, which has been customarily assailed as lacking initiative, becomes the only means of coordinating the transportation facilities of the country; it urges on the railroads both electrification and streamlined, Diesel-driven trains, and supplies the money with which to bring about these improvements.

Social security will proceed from economic stability and steady progress. This requires planning, and planning requires unquestioned control by organized society over the means of production. We shall not get on by grudging individualist concession to social casualty, but by gathering collective strength for positive betterment. Though to many this may sound like wishful exhortation, the event may prove that it is merely competent economic comment.

Russia's New Outlet to the Sea

By ALEXANDER BAKSHY

SOME two years ago newspaper reports from Finland spoke of mysterious activities across the Soviet-Finnish border. It was said that the Soviets had concentrated troops in Karelia and had transported great masses of workers to build a canal between the Baltic Sea and the White Sea. The Finns felt uneasy. Why was the canal being built? Why was there so much secrecy about its construction? What sinister military design had the Soviet government in mapping out, at a distance of little more than fifty miles from the Finnish border, a new waterway? And why this sudden interest in a region as wild and sparsely populated as the desolate lakeland of Karelia?

Recently reports from Finland spoke again of the canal. This time it was stated that now that the waterway had been completed, two Soviet submarines had made their way from the Baltic Sea into the White Sea. What military significance attached to the alleged passage of submarines, with which rumor coupled the appearance of Soviet "ghost planes" over the Arctic coast? Whether these reports were wholly true or not, there was no doubt that the canal had been built, and there need have been little surprise over the fact that the Soviets had established, or were to establish, a naval base on the Arctic coast. The harbors of Kronstadt and Leningrad are icebound in Winter. The port of Murmansk and the adjoining littoral, much further north but warmed by the Atlantic drift, are free of ice throughout the year. The inference is inescapable. With an inland waterway connecting the Baltic and the Arctic, the Soviet navy gains in freedom of movement.

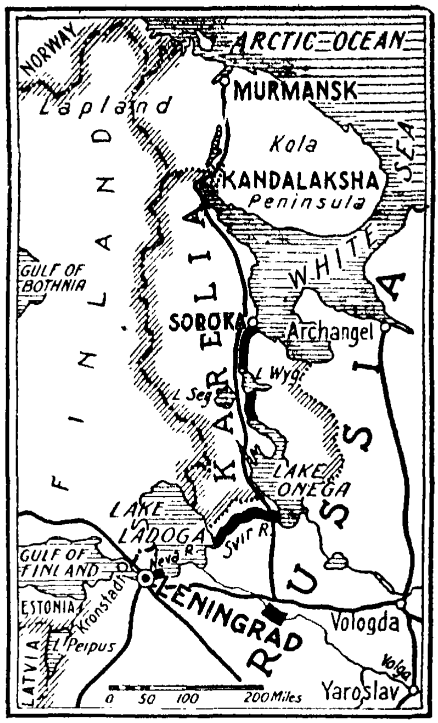
Yet it would be premature, and indeed far-fetched at any time, to suppose that the Baltic-White Sea Canal is as valuable strategically to the Soviets as the Kiel Canal is to Germany. The Soviet waterway is impassable for ships of over 3,000 tons displacement. It is icebound during six and a half months out of the twelve. On account of its numerous locks and dikes it is vulnerable to air attack. Even if in the future it may be made wider and deeper, its importance is primarily economic, not military.

The new canal is located in that part of the Soviet territory which includes the autonomous Republic of Karelia and extends from the Arctic coast of the Kola Peninsula to the shores of Lake Ladoga and Lake Onega, the two largest lakes in Europe. The River Neva connects the Gulf of Finland with Lake Ladoga, and the River Svir connects the latter with Lake Onega, which, in turn, through a series of canals and rivers known as the Maryinsky system, is connected with the Volga. Thus the two lakes form links in a system of inland waterways which has served for over a century as the main artery of trade from the Volga region to the Baltic. The new canal is linked with this system. It starts from Lake Onega and, following a number of small rivers and lakes, stretches

north for 137 miles until it reaches the White Sea at the settlement of Soroka. Over its entire length the canal runs parallel with a section of the railway connecting Leningrad with Murmansk, some 350 miles north of Soroka.

The canal is intended primarily to relieve the greatly congested traffic on the Murmansk railway and to provide cheaper and easier transport for a district now undergoing rapid industrial development. This is in line with the present Soviet policy of relieving a hard-worked and inadequate railway system by developing inland waterways, which in Russia are more extensive than in any other part of the world. Between 1928 and 1933 cargo traffic on Soviet rivers increased from 40,000,000 tons to 72,000,000 tons (it was 48,000,000 tons in 1913 and 20,000,000 in 1923). This result has been achieved despite the great falling off in the main item of river transport—the Volga grain which in pre-war years was sent to the Baltic ports for export abroad.

The Baltic-White Sea Canal carried nearly 900,000 tons of cargo in the first season of its operation. During that season, which lasted only four months, 16,700 boats and 2,700 rafts passed through. It is estimated that by 1937 the annual cargo traffic will reach 10,000,000 tons, although the report of the official committee which accepted the canal on its completion in June, 1933, speaks of its maximum capacity as 4,000,000 tons each way. Whichever figure is taken, there is a favorable comparison with the cargo traffic for 1929 on such important waterways as the Erie Canal (2,876,000 tons), the St. Lawrence (5,718,000 tons) and the Manchester (6,558,000 tons). International highways such as the Suez, the Panama and the Kiel Canals, carrying in 1929 33,466,000



The Baltic-White Sea Canal

tons, 30,663,000 tons, and 21,613,000 tons, respectively, are of course in another category.

From the early nineteenth century down to 1915, many projects for connecting the White Sea with the Baltic were submitted to the Czar's government, but none ever passed the stage of report and discussion. In the Summer of 1931 the Soviet government, on the initiative of Joseph Stalin, decided that Russia needed the canal urgently and that the government should build it forthwith. The territory to be traversed was surveyed, work was started in October, and twenty months later, on June 30, 1933, the canal was opened for navigation. In such an unprecedentedly short period was performed an engineering task which involved the excavation of about 11,000,000 cubic yards of earth (including 2,500,000 tons of granite),

the laying of 510,000 cubic yards of concrete, the building of 1,200,000 cubic yards of wooden caissons, the construction of 19 locks (with 51 lock gates), 15 dams, 12 floodgates, 49 dikes and 33 sections of artificial canal. Altogether there was a total length of 8 miles of solid construction work and of 12 miles of excavated channels.

This engineering feat had other distinguishing features. Considerations of economy and shortage of metal compelled the Soviet engineers to employ wood as their principal structural material. Hitherto it had been believed that lock gates, caissons and other canal fixtures of the dimensions and resistance to water pressures required could be built only of metal and concrete. The Soviet engineers proved otherwise. They used wooden caissons for the 39-foot walls of most of the locks as well as for some of the dams, and they worked out an original rhomboidal design to build forty-eight lock gates entirely of wood. It speaks well for the ingenuity and skill of the engineers that all their structural innovations have withstood the test of operation. The life of these wooden parts is officially estimated at 15 years above water and at 40 years under water.

Not only did the canal represent innovations in the construction itself; it also provided an interesting opportunity for the Ogpu to exercise its power, for when the Soviet government decided on carrying out the project, it was faced with the problem of finding a huge army of workers. To take them from the available labor reserves would have seriously affected the progress of industrial construction in other parts of the country. The problem was solved by entrusting the execution of the scheme to the Ogpu, whose prisons and correction camps swarmed with idle humanity.

All sorts and conditions of men and women were to be found in those institutions. Some were habitual criminals—thieves, burglars, forgers, gunmen. Others were outlawed kulaks, peasants convicted of various offenses against the collectivization policy of the government. Others still were engineers and former government employes convicted of sabotage and similar "wrecking" activities. Out of this motley agglomeration the Ogpu formed its canal labor army. Although its actual size has never been publicly stated, it probably numbered between 100,000 and 150,000.

Brought to the wilds of sub-Arctic Karelia, this horde of people, containing a large proportion of desperate men and women, ought to have presented many difficulties. At least it would have done so in any other country. But it did not greatly worry the Ogpu. The frontier guards were reinforced, and a surprisingly small force of Ogpu men policed the convict camps. Order and discipline were maintained by giving the prisoners the opportunity to forget that they were convicts and to remember only that they were citizens. From the moment the prisoners arrived at the job they were given freedom of movement. There were no guards to watch them, nor were they confined to barracks. They knew that to escape was difficult, and few attempted it. Work was of course obligatory, and felling trees, removing heavy boulders or digging in temperatures below zero was no play. Some prisoners flatly refused to work, and neither reduced rations nor solitary confinement could make them alter their decision. The majority preferred increased allowances of food and clothing and the prospect of early liberation that was

held out as a reward for conscientious labor.

This submission of the prisoners was only the first step toward the goal which the Ogpu set out to attain. Self-interest was all right as far as it went, but it did not go far enough. Social consciousness had also to be awakened in the prisoners. For this there was no better method than "Socialist competition," a method which, in the form of rivalry between groups, has worked many miracles in the carrying out of the Soviet industrial program. With no little understanding of human psychology, the Ogpu set itself to rousing the same spirit among the prisoners. Shock brigades were formed and every possible device was used to make one excel the other. The brigade holding the record set out on its daily task carrying the banner of the camp and accompanied by a prisoners' band. Portraits and articles in the camp newspaper, published by the prisoners themselves, lauded the achievement of the record-breakers. On the other hand, slackers, malingerers and cheats were ridiculed and exposed to public contempt by such means as the broadcasting of their names or by satirical stage shows.

The campaign proved successful. From thoughts of personal advantage the prisoners passed to an increased interest in their work, and finally to genuine enthusiasm for the success of the entire enterprise. Sufficient evidence of this change of heart is supplied by the number of prisoners granted concessions and privileges upon the completion of the canal. A total of 59,516 had their terms reduced, 12,484 were given remission of sentences and 500 were reinstated in full civil rights and had their convictions struck off the record. More striking still was the award of the highest decorations in the land to eleven engineers who had been convicted of counter-revolutionary activities, and to four supervisors and leaders of shock brigades who had at one time been professional thieves.

To mention in one breath highly qualified engineers, some of them former professors or heads of vast undertakings, and professional thieves seems a little odd. But we have to remember the Soviet scale of values according to which to have been a thief, a prostitute or a murderer seems to carry no stigma, but rather the glory of having eventually found the truth. In the numerous Russian books and articles about the canal, the place of honor is invariably accorded to the portraits, life stories and confessions of criminals turned into heroes by embracing the faith of collective effort and service to the workers' revolution. Even if one may be skeptical about the permanence of these conversions, there is plenty of evidence to show that the enthusiasm of many of the convicts for their work was perfectly genuine. Many who were set free before the canal was finished insisted on being allowed to see the job through. Others asked to be transferred to similar work on another canal now in the process of construction. Still others risked their lives in attempting to persuade the recalcitrants among their fellows to join in the common effort.

Nor is it possible to overlook the future awaiting a Soviet convict on his release. He finds no discrimination; on the contrary, the authorities are solicitous to provide him with work and, in some cases, even with scholarships to complete his training. Many of the prisoners during their stay in the canal camps became skilled carpenters, engineers, foremen, laboratory workers, and in the Soviet

Union today a man skilled in any trade needs only to present himself at an employment bureau to be engaged. Under such conditions, there is every reason to believe that released criminals, once accustomed to honest work, have an excellent chance of becoming useful members of the community.

The influence of the Baltic-White Sea Canal on the economic development of Soviet Russia is almost incalculable. Until recently the natural resources of Karelia lay dormant. Lumber had been produced, but transportation facilities were bad. Now it has become possible to introduce a technically efficient exploitation of the Karelian forests. The growing industries of the Leningrad district demand ever-increasing supplies of wood. Karelian timber will thus be shipped to Leningrad via the short canal route, instead of following the route, four times as long, around Sweden and Norway. Power plants, moreover, are now being built on the canal and on neighboring rivers, and more are planned. Thus may be developed local industries for which wood is the basic material. One such group of plants is already under construction on the River Segozha. This will make paper, resin, turpentine, tar, alcohol and a number of other chemical products. Another, for the manufacture of aluminum, will come into operation in 1937. A power station being built on the Kola Peninsula will make possible the electrification of the Murmansk Railway.

But the most important industrial development in the region is the opening up of the mineral riches of the Kola Peninsula. There, above the Arctic Circle, vast deposits of apatite earth have been discovered. This earth, which in concentrated form contains a high percentage of phosphorus and can be used as fertilizer, has great importance for Russian agriculture, which until now has had to depend entirely on foreign phosphates. The exploitation of these deposits has already begun, and the estimated output of 1,000,000 tons in 1935 will rise to 1,400,000 tons in 1937. It is believed that eventually Russia will not only supply all her domestic phosphate needs, but will begin to export the product.

In the Kola deposits the apatite earth is combined with another mineral, nephelin. Nephelin is a base from which aluminum oxide and aluminum are produced. Thus a foundation has been provided for another Soviet industry, and two large plants are being built in the region to supply the country's needs in this metal. Other valuable chemicals, too numerous to be listed here, are yielded by apatite and nephelin, and will be produced by a group of six interlinked chemical plants now under construction at Kandalaksha, on the southern coast of the Kola Peninsula.

In providing an easy means of transportation for the products of this rapidly developing region, the Baltic-White Sea Canal is thus of major importance to Soviet economy. Yet the Arctic region is only awakening to industrial life. Coal and oil abound in the Pechora district, further east along the Arctic coast, and there are great quantities of agricultural produce in the Obi and Yenisei regions of Siberia. These have now a new means of access to the interior of Russia. The North and South of the vast region of the Soviets have been joined by the convict labor that has created this new waterway.

Changing Views of Evolution

By WALDEMAR KAEMPFFERT*

DARWIN'S great contribution to the doctrine of evolution was his conception of the interplay of variation and natural selection. He had studied the ways of breeders. Strong, heavy draft horses sprang from strong, heavy sires and dams. The breeders saw to that and deliberately prevented what were to them mismatings. So with sheep, swine, hens, dogs and other domestic animals. "Artificial selection" Darwin called the process. Was there a similar ruthless weeding out of undesirable plants and animals in the forest and the sea?

He read Malthus, and a great light burst upon him. Populations cannot increase, because the food supply cannot keep pace with them. What if a similar influence were at work in nature? Even a slow-breeding animal like the elephant would overrun the earth if death did not intervene to cut him off in his infancy or in his prime. Lack of food, physical weakness, any one of a hundred unfavorable characteristics might prove to be his undoing. Unfavorable for what? Life in the jungle. Very subtly and imperceptibly, then, nature was selecting the fit. Each generation was thus mercilessly put to the test. Only the right variation of an elephant, parrot, mosquito, oak or grass could survive it. Not that nature was primarily concerned with individuals but with the race or species as a whole.

At one magnificent stroke Darwin apparently explained the infinite variety of life. Insects that looked like leaves, zebras striped so that they were inconspicuous in tall grass, swift eagles with hooked beaks and sharp talons, snakes that glided through the brush—natural selection was the influence that molded their forms, tinted their coverings, adapted them to meet the exigencies of the environment. Out of primitive but less efficient animals and plants species as we know them might well evolve by such a process. In fact, fossils made the theory all the more plausible. Extinct fish were clearly related to living species, extinct mammals to modern mammals. The evidence seemed overwhelming. Not since Newton published his laws of motion and gravitation had so magnificent and all-embracing a doctrine been given to thinking men.

Contrast this theory with that of Darwin's predecessor, Lamarck, as we must if we are to understand the tendencies of latter-day biology. To Lamarck the modifying force was an urge in the animal or plant itself. A fowl took to the water because of new necessities or opportunities and tried to paddle. Thus the urge for webbed feet was aroused. If any tendency toward webbing developed it would not only be transmitted but intensified. On this principle a longshoreman would not only acquire strong arms and legs through much lifting and carrying but hand on his strength to children and grandchildren who would be still stronger. According to Lamarck an organism must will and

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strive to evolve; according to Darwin it must do or die. Haeckel saw no inconsistency in the two views and dedicated his *History of Creation* to both Lamarck and Darwin. And even the great Darwin himself accepted "use inheritance" as a partial explanation of the process of evolution whenever it suited his purpose.

What is the evidence that new species and varieties are actually created by weeding out the unfit? Virtually none. Natural selection is a reaping machine, but there is nothing to show that reaping can account for either the sprouting of new grass or the direction in which it will grow. In other words, there is no solid proof that natural selection can launch a change. If individual differences are to count in obtaining a foothold the kind that Darwin put forward are not sufficiently of the life-and-death kind. Considerable mathematical evidence shows that survival is as apt to be a matter of luck as of fitness.

It is also objected by the modernists that although natural selection accounts for the acquisition of advantageous characters it cannot account for characters that are harmful or worthless. Among fossils evidence enough is found of legs, heads and other structures, all the result of evolution but actually a hindrance in the struggle for existence. The unwieldiness and the bulk of the hugest dinosaur, for example, were certainly no advantages, especially when considered in the light of a ridiculously small brain. Yet nature took the trouble to evolve the creature over almost incalculable centuries.

Defenders of natural selection meet these and other objections by pointing out that desirable and undesirable characters are often linked together and transmitted as a unit. The white and colored populations of the United States die from different diseases. Immunity from measles, for example, is correlated with hair and eye color. In this fashion it is possible to account for the evolution of useless traits by connecting them with unknown advantages. Thus manipulated, natural selection explains everything. If our modern one-toed horse had been the primeval type and the small five-toed Eohippus had been the survivor it would be easy enough to assume that the more toes a horse had the more immune it would be to disease.

The late William Bateson, one of the ablest of English biologists, protested caustically against the romanticism that made it possible to regard all variations as advantageous. Our own Nobel Prize-winning Professor Thomas H. Morgan has been equally trenchant but more polite in pinning the more ardent natural selectionists to the indisputable facts of life. To the philosopher natural selection is no explanation at all of what we see about us. It implicitly assumes what it sets out to explain—that continuous inheritable variation occurs constantly in all directions (which it does not) and therefore becomes an example of the common illusion of converting mere general terms into imaginary things. To a neo-Lamarckian, like the English biologist Professor E. W. MacBride, natural selection is a harmless piece of mysticism which means no more than that "the survivors survive."

Most biologists now hold with Bateson and Morgan. It is not evolution that is under fire but Darwin's description of its mechanism. Natural selection is an indisputable and a powerful factor in evolution, but it originates nothing. We are left exactly where we were when Lamarck and Darwin were in their heyday—left asking ourselves: How is one species

transformed into another? Not until we produce new species under control are we likely to answer the question.

Darwin would have rejoiced in the experimental method had he perceived any way of employing it. The stock breeders were actually obtaining results which he weighed. In other words, the two-headed calves, the malformed sheep, the unpredictable departures from the normal which now and then appeared and which the breeder promptly killed off because they were of no commercial importance were teaching a lesson in variation and heredity. These "sports" among plants and animals occurred too infrequently, in Darwin's opinion, to play any vital part in the creation of new species.

To the Dutch botanist Hugo de Vries, the sports or mutants that Darwin rejected are the raw material of evolution. De Vries made this discovery after studying a flower which is known as Lamarck's Evening Primrose and which seemed to be strangely unstable. It was throwing off sports. He experimented with the plant—tied bags over the flowers so that there could be no opportunity for hybridization. Still the mutants or sports appeared. Moreover, they were so different from the parent plant that at first botanists were willing to accept them as new permanent varieties. Out of this work came the mutation theory of de Vries—the theory which postulates that new species are created suddenly.

To be sure, more careful control and more exact interpretation of the results have shown that the supposedly new varieties or sub-species of the evening primrose, on which the theory is largely based, are strains already present in a complex prototype. But the work of those who followed de Vries in experimental evolution leaves no doubt that new, inheritable characters do arise suddenly in the very manner that Darwin rejected as highly improbable. After some modification the mutation theory of de Vries is today the most generally accepted explanation of evolution. On the other hand, it is pointed out by such Darwinians as Professor Julian Huxley that mutants are not as strong as their progenitors, that they die off early even when coddled, and that the more marked the departure from the parental type the less is the chance of survival, so that in the end we find ourselves holding with Darwin that only the slight differences are transmitted.

De Vries was by no means the first to introduce the experimental method in studying the problems presented by species. Before him came the Augustinian abbot Gregor Mendel, who crossed edible peas under control and in 1865 formulated his now famous laws of inheritance. Unfortunately, he presented his results in a paper read before an obscure society at Brünn in Austria. Had it come to the notice of English biologists possibly Darwin might have modified his conception of species as well as his views on natural selection. De Vries in Holland, Correns in Germany and Tschernak in Austria rediscovered Mendel's laws of heredity at the beginning of the century and thus started the mutation theory on its course.

They are simple enough—these laws of heredity as they were framed by Mendel, de Vries and the early experimenters. Given a set of physical characteristics in two parents (tallness, shortness, hair color, eye color and the like) it is possible to predict what the offspring will be in the next generation. After that Mendel and de Vries could predict nothing and had to rely on a mathematical

treatment of chance, which in turn indicated how many plants or animals would have the characteristics studied but not the individuals that actually possessed them. Sports or mutants obeyed precisely the same laws as normal organisms—a powerful argument in favor of the mutation theory.

A tremendous forward leap was thus taken. Before the Mendel-de Vries-Correns-Tschermak revolution biologists were convinced that cabbages and kings transmitted themselves as whole collections of characteristics. After the revolution it was evident that the characteristics were as separate as the stones, cornices, windows and doors of a house, though blended to produce an individuality. It looked as if Weismann might be right after all—old Weismann who had preached that the germ plasm is the all-important factor, or, in other words, that the germ cells are the product not of the body in which they are found but of the germ cells of the previous generation.

Within the cells Weismann and others saw little bodies now called "chromosomes"—literally "color bodies"—because they can be easily stained and thus made visible under the microscope. Fanciful properties were attributed to them. Montgomery and Sutton pointed out the parallel between the behavior of the chromosomes and the factors of heredity that obey the laws of Mendel. Dr. Thomas H. Morgan and his associates were thereupon able to reveal how these factors are arranged within the chromosomes. With the inspiration of genius he decided to experiment with the now famous Drosophila melanogaster, a fruit fly that breeds a new generation every nine days. In a single year he could study twenty-five generations or the equivalent of 500 years of human family life. If germ plasm, especially the chromosomes in cells, could be modified fruit flies would tell the story in their aberrations from their ancestors. With a patience buoyed only by the stimulus of a great idea Morgan bred flies by the millions and kept carefully indexed genealogical records of their children and their children's children. Few human families are as sure of their ancestors as he is of his fruit flies' progenitors. He and his school examined over 20,000,000 flies and found about 400 mutants that bred true. Today about 600 such mutants are known.

Out of this work came a momentous discovery. The chromosomes in the cell are always definite in number for each species of animal or plant—8 for the fruit fly, 14 for the garden and sweet pea, 42 for wheat, 54 for the monkey, 48 for man. Note that these are all even numbers. Can it be that the chromosomes are paired, so that one half belong to the male and the other half to the female? The experiments left no doubt that this is indeed the case.

By classifying his fly mutants Morgan found that they fell into four groups. Note the number. Half of eight—the number of Drosophila's chromosomes. Morgan asked himself: Do the four groups correspond to the four male and the four female chromosomes? They did. Hence the chromosomes must be bundles in which the actual characteristics of heredity were packed. In fact Morgan became so skillful that he could predict what would happen when fruit flies were mated. For instance, if a fly with a black body and twisted wings was crossed with a normal fly, the grandchildren that happened to have black bodies also had twisted wings. The pedigrees of millions of flies left no doubt about this. Always there were these linkage groups, and always the

number of groups equaled half the number of chromosomes. There was no need to call in a mathematician to figure out how many flies of certain linked attributes there would be in the grandchildren. Morgan could predict correctly ninety-nine times out of a hundred.

But why did the law fail in the hundredth case? The answer is Morgan's greatest contribution to biology. Obviously something must have interfered in the grandchildren with the normal process whereby male and female chromosomes were linked. Morgan made one of those imaginative inductions that place him among the great in science. He assumed that the chromosomes are not the final units of heredity. Like the atom, which is composed of electrons, they might be composed of smaller entities—so small, in fact, that they could not be seen in any microscope. He imagined these entities strung like beads in a straight line within the chromosomes. "Genes" he called the invisible beads. There must be from 2,000 to 2,500 of these genes, each different from every other in a string, each playing its own distinctive rôle in the highly complicated economy of the cell.

He assumed that the genes of the male chromosome exactly matched the genes of the female. Thus the genes that control wing shape in one chromosome lie opposite the corresponding genes in the other chromosome. So with the matching genes that determine eye color, length of hair, and the hundreds of other attributes of a fruit fly. Genes crossed over from one chromosome to the other, the children receiving genes from both mothers and fathers. Since the dominant characteristics are thus inherited the children may be indistinguishable from their parents. But interbreed the children and the effect of the original mating becomes apparent. Again there is an interchange of genes, with the result that the grandchildren are not all absolutely like their grandfathers or absolutely like their grandmothers. A few of the grandchildren will combine attributes of the grandfather and grandmother—the eccentric one per cent. This is true for characteristics which are linked or carried by different chromosomes.

Morgan could see exactly how far from one end of a given chromosome lies the power of an unborn fly to inherit wings of a peculiar shape, even though he could never hope to see the genes themselves. Yet despite this and other proofs that genes and chromosomes are as real as electrons in atoms this was sheer inference, although the inference of genius. Not yet had it been proved by some definitive experiment other than breeding that by modifying the genes in some way, new mutants of fruit flies would arise.

There now began ingenious efforts by many biologists to jolt the genes—change their constitution and their arrangement. It seemed at first as hard as changing mercury into gold. The experimenters tried everything—drugging, poisoning, intoxication, anesthetizing, bright illumination, utter darkness, suffocation, whirling in centrifugal machines, mechanical shaking, mutilation, heating, chilling, parching, overfeeding. In vain. The cell always resisted. Then Dr. H. J. Muller decided to adopt the methods of the atomic physicists. If, he reasoned, X-rays can tear an electron from an atom and thus convert it into so very excited a bit of matter that it glows, why not turn them on the genes?

The result was startling. What actually happened is not yet clear. Apparently the genes were either

changed chemically or shifted out of their places—perhaps both. Instead of 400 mutants in 20,000,000, Muller got 150 times as many. He had accelerated the evolutionary process 15,000 per cent. And what monstrosities! Flies with eyes that bulged, flies with eyes that were sunken; flies with purple, white, green, brown and yellow eyes; flies with hair that was curly, ruffled, parted, fine, coarse; flies that were bald; flies with extra legs or antennae or no legs or antennae; flies with wings of every conceivable shape of wing or with virtually no wings at all; big flies and little flies; active flies and sluggish flies; sterile flies and fertile flies. What had happened? "The roots of life—the genes—had indeed been struck and had yielded," in the words of Muller. Could there be any doubt after this that genes exist—that Morgan's divination was right? Or that the method whereby the differences that distinguish one generation of organisms from its predecessors are inherited is at last revealed? Or that differences in genes do arise suddenly to bring about large variations?

Muller has suggested that natural radiation may be in part responsible for the evolution of life. But only in part. Radium and other radioactive substances in the earth pouring out gamma rays which are more powerful than X-rays, cosmic rays which come from outer space and which are in turn more powerful than gamma rays—surely these must have their effect on germ cells. "It can * * * scarcely be denied that in this factor we have found at least one of the natural causes of mutation and hence of evolution," is Muller's conclusion. But there must be other forces at work, as Dr. Muller himself has insisted. Natural radiation alone cannot account for the increased mutation rate that has been observed in aged seeds.

We are now at the rock-bottom of life—the gene. What is it? A bit of matter, but matter endowed with what we call life. Yet a chemical machine, in Morgan's opinion. "All the evidence that we possess at present indicates that only those particular chemical substances that are characteristic of each species can make the organism what it is," he says. How did these substances come together? Through accident or design? How is it that they manage to change and perpetuate themselves, whereas iron, gold, other matter remains on the whole what it is?

It is clear to Morgan and his school that the gene must be henceforth regarded as a complex chemical compound. Not until its chemistry is fathomed, not until the changes that take place when it is bombarded by X-rays or affected by other agencies are known, can biologists hope to throw light on the evolutionary process. "Acquired characters," "use inheritance," "natural selection," "survival of the fit," "struggle for existence"—these have an imposing ring, but they explain nothing. By giving mysterious activities names we thought we understood them. We were only romancing in a scientific fashion in an attempt to explain the infinite variety and beauty of nature.

Already it is clear that the problem of the gene is the problem of the atom. The time is bound to come when the physicist who studies the constitution of matter and the biochemist who studies genes and why they vary chemically and thus give rise to new forms of life will find that they are both studying the same ultimate phenomena. For the problem of the evolutionary process is not just the problem of life but the problem of the cosmos itself.

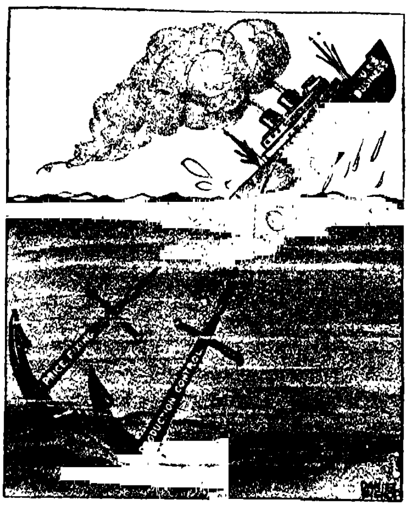
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The mysterious vegetable
—*Christian Science Monitor*



Assuming the ringmaster's rôle
—*Rochester Times-Union*



Handicapped
St. Louis Star-Times



The biggest thing in the country
—*News and Observer,* Raleigh



Reading the meter
—*Dallas Morning News*



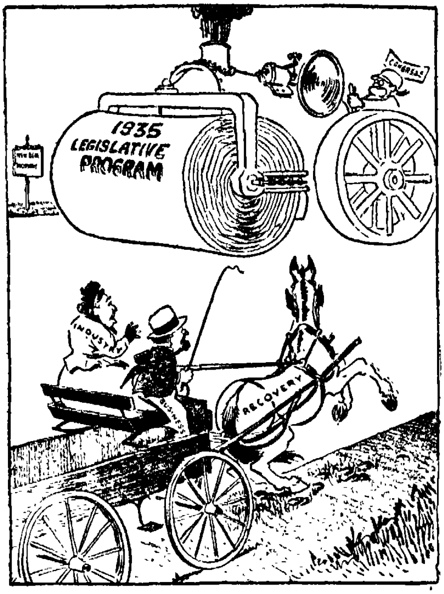
Measured with the TVA yardstick
-*St. Paul Pioneer Press*



A job for Congress
—*Brooklyn Daily Eagle*



Still afraid of the dog
—*Salt Lake Tribune*



Hope it won't scare Dobbin!
—Richmond Times-Dispatch



The old town grew while he was away
—The Sun, Baltimore



A big wolf wouldn't be so bad here
—Lincoln State Journal



"All de world am sad and dreary"
—St. Louis Star-Times



He's learning to say "No!"
—*Birmingham Age-Herald*



The goddess of victory
—*Philadelphia Inquirer*



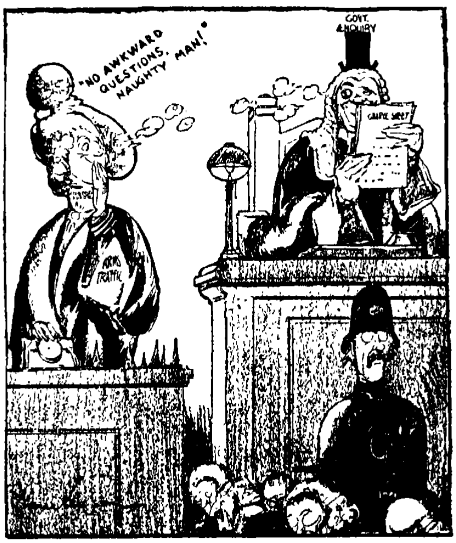
He slapped me
—*Washington Post*



Japan's new deal
—*Courier-Journal*, Louisville



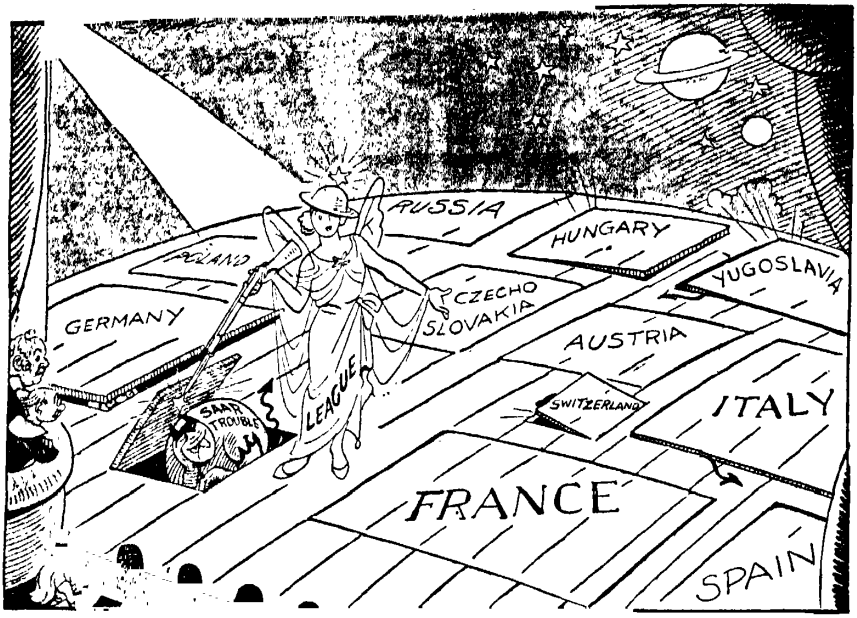
Hitler pleads for peace
—*Le Rire,* Paris



Preview of the British arms inquiry
—*Daily Herald,* London



Where war is still brewing
—*St. Louis Post-Dispatch*



One devil disappears, and quiet reigns—temporarily

—*Daily Express,* London



"Comrade, how lucky we are not to be living under the Czars"

—*Guerin Meschino,* Milan

A Month's World History

Chronology of Current Events

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Japan Denounces the Naval Treaty

By ALLAN NEVINS
Professor of American History, Columbia University

THE unhappiest event of the month, Japan's formal denunciation on Dec. 29 of the naval treaty of 1922, had been fully discounted in advance. Even so, it was a shock to public opinion when it finally came. It is a deplorable event; history will unquestionably condemn the Japanese Government for a step that contains such dire possibilities.

For a full decade the Washington Naval Treaty has been one of the few pillars of safety in a chaotic and passion-ridden world. Few international compacts of modern times have done so much for the peace of mankind. No nation is justified in destroying such an instrument without the most compelling reasons, and Japan has thus far assigned no reasons that command respect. The motives of her government, dominated as it is by naval and military elements, are open to grave suspicion.

The treaty unquestionably gave the Japanese nation, as the American delegates in London said, "equality of security." Why should it want more? To be able to work its will in Asia without let or hindrance by the other powers that have legitimate interests there? These are questions we cannot yet answer. We can feel only sorrow that we may, as Ambassador Norman Davis said in a recent speech, stand at the threshold of an era "of insecurity, international suspicion and costly competition."

The London naval conversations adjourned on Dec. 19 with no date fixed for resumption; Japan's denunciation of the treaty was delivered to Secretary Hull in a brief note by Ambassador Hirosi Saito on Dec. 29; and Mr. Hull then notified the other signatories, Great Britain, France and Italy.

Of course it would be an error to take these events too tragically. The denunciation by Japan may represent a temporary breakdown of negotiations and not a total collapse. After all, there are still two years, or almost that, for the Washington Naval Treaty and the supplementary London treaty to run; the powers are required to hold a formal conference within a year to try to reach an agreement; and we may hope to the last that they will come to an understanding before Dec. 31, 1936. Where the delegates in London failed through informal talks, the various governments may succeed through formal diplomatic effort.

Nevertheless, the gravity of the present position should not be underrated. We are a long step nearer the collapse of the entire system of naval limitation so laboriously built up since the World War.

Before leaving London in December Norman Davis and the other American spokesmen made it clear that they had no hope for future agreement unless Japan changed her mind. She must surrender her claim of parity or prepare to make it good by building against a nation of enormously greater wealth and resources. The recent tone of the British press makes it clear, also, that the more Japan in-

sists on parity, the more certainly she brings Great Britain and the United States into unity against her. In these circumstances the Japanese position would seem to contain a large element of folly. If Japan persists in her course, she runs the danger of precipitating a naval race with a nation that can easily outdistance her and of solidifying the Anglo-American front in the Far East.

The British have had good reason to show a less iron temper in the London talks than the United States. They know that, as the European situation now stands, they must keep by far the greater part of their navy in home waters; they cannot spare a large force for the Orient. They are therefore anxious to preserve good relations with Japan as long as possible. But if the Japanese policy forces them to make a choice, they will stand firmly with the United States. They realize that it is not merely a collective treatment of naval questions that is at stake, but the collective system with regard to China. But there is hope that the Japanese Government may yet come under the control of cooler heads and that it will execute a sensible retreat before the end of 1936.

THE ITALO-FRENCH ACCORD

Italy, as December drew to a close, was far less interested in the naval treaties than in her relations with France. Throughout the month confidential exchanges were undoubtedly taking place between Paris and Rome on the consolidation of Austrian independence, the guarantee of peace in Central Europe and the settlement of the long-standing differences between France and Italy in Africa. Pierre Laval, the French Foreign Minister, was known to be eager to get Mussolini to accept an Italo-French agreement on the preservation of Austrian freedom.

As 1935 opened it was reported from Berlin that Hitler had served notice upon Mussolini that he would regard any such agreement as a hostile act, and that Mussolini had drawn back. Expecting a victory in the Saar plebiscite, Hitler was believed to be planning new machinations in Austria. A vast deal of rumor and conjecture, much of it doubtless erroneous, went into cable dispatches from Rome, Paris and Berlin. But one tangible fact emerged on Jan. 3. Accompanied by Foreign Office experts, M. Laval that evening took the train to Rome for three days of conferences with the head of the Italian Government.

Italy had much to ask of France. She had long felt unhappy over the position in Tunis of 90,000 or 100,000 Italians, who far outnumber the 70,000 French in that colony. She felt that these Italians should be kept Italian and not made into French citizens and that they should be granted a due share in the local administration. At the same time she desired that the frontier between French Africa and Italian Libya be altered to give her access to Lake Chad, and she wished to share the control of the French port of Jibuti on the Red Sea.

The discussions in Rome came to a successful end on Jan. 7 when Premier Mussolini and M. Laval entered into a new accord between France and Italy. The agreements in which the accord was embodied concluded with a general declaration that all questions pending between Italy and France had been settled, that the two countries meant to collaborate in all fields and that they would consult whenever circumstances rendered such a step advisable.

Partial acceptance by France of the

colonial demands made by Italy resulted in additions to the latter's territories in Africa (see the article "Italy's Colonial Empire" on page 531 of this magazine). These concessions consisted of a tract of 44,500 square miles south of Libya (but without the corridor to Central Africa that Italy desired) and a small strip along the coast south of Eritrea facing the Strait of Bab-el-Mandeb. Italy also gets the island of Doumerrah. Frontier commissions will work out the details of the new frontiers.

Another agreement, designed to promote the trade of France and Italy with their colonial possessions, provided that Italy should have a share in the ownership of the railway from Addis Ababa, the capital of Abyssinia, to Jibuti in French Somaliland.

The status of Italian residents in Tunis will remain until 1965 substantially as it is under the agreement of 1896. The new agreement provides that all children of Italian parents born before 1965 shall be allowed to retain Italian nationality, though those born from 1945 onward will be able to choose between Italian and French nationality on reaching their majority. The Italian schools in Tunis are to continue as at present until 1965, when they will become private Italian schools. Other privileges enjoyed by Italians will continue until 1945, after which they will be progressively abolished.

In regard to the Austrian and Central European situation, Italy and France agreed to recommend that the powers concerned conclude a treaty of non-intervention in one another's internal affairs, agreeing not to aid movements directed at disturbing one another's territorial integrity by violence. This treaty, it was decided, should first be signed by Italy, Germany, Hungary, Czechoslovakia, Yugoslavia and Austria and later by France, Rumania and Poland. Meanwhile, France and Italy agreed to consult in case of threats to Austrian independence. This consultation pact also may be extended to include other powers.

German rearmament was the subject of still another agreement which said that "in relation to the great powers' declaration of Dec. 11, 1932, on equality rights, France and Italy found themselves in agreement that no power may modify by unilateral act its obligations in the matter of armaments, and that if this eventually should come to pass they will consult together."

ITALY AND ABYSSINIA

That bloodshed may be caused over wild and unoccupied territory between nations uncertain whether it has any material value was given fresh illustration by a boundary dispute that has recently cropped up in Africa. The line between Abyssinia and Italian Somaliland has never been clearly delimited. On Dec. 5 Italian and Abyssinian troops met in a bloody engagement at Ualual, an oasis in the disputed border area. The Abyssinian Government at once protested to the Italian representative at Addis Ababa, and requested an arbitration. The Italian Government replied on Dec. 7 by a refusal to arbitrate and a peremptory demand for indemnity for the Italian soldiers slain, with a formal apology. Italian airplanes also dropped bombs on the border towns of Ado and Gerlogubi.

Abyssinia on Dec. 14 addressed a note to the League, stating her grievance; and Italy followed with a note to Geneva expressing her own sense of outrage. Neither of these communications constituted an appeal to the League for action. But on Jan. 3

Abyssinia formally appealed to the League to take measures under Article XI of the covenant to safeguard the peace.

The merits of the dispute are indeed far from clear. There is a boundary of a kind between Abyssinia and Italian Somaliland, fixed by a treaty of 1908; but it is so poor a kind that the Abyssinians claim that Ualual is some sixty miles within their territory, while the Italians claim it is forty miles within theirs! The Italians have held the oasis for about five years, and evidently mean to keep on holding it.

Mussolini, as Corfu showed, has a leonine courage when it comes to facing weak little nations. Though an Italo-Abyssinian treaty of 1928 explicitly requires that both nations accept arbitration of any dispute between them, Mussolini apparently has no intention of doing so. He is anxious to expand Italian territory in North Africa in every possible way, and believes in a "strong" attitude. His use of troops, tanks and airplanes after the initial engagement had an ugly look. Italy, according to expert observers, will probably insist that the League Council has no right to deal with the dispute till after Abyssinia has apologized and paid her indemnity, and that once this is done League action will be unnecessary. But this is apparently just the sort of situation in which the League should intervene.

THE SAAR PLEBISCITE

From the beginning of December all European eyes were upon the Saar, for every day brought news of some small incident that augured ill for the future. With the plebiscite fixed for Jan. 13, passions steadily rose among adherents of the German "front" and of the status quo. A sigh of relief therefore went up from the greater part of the Continent when on Dec. 5 the British Government, reversing under League pressure its previous stand, announced that it would send British troops to make part of an international police force.

With both France and Germany acquiescent, arrangements for this international force were quickly concluded. It consisted of 1,500 British, 1,300 Italian, 250 Swedish and 250 Dutch soldiers—3,300 altogether—and was in the Saar by Dec. 22. The League Council on Dec. 11 asked the British Government to nominate the commander, and that night Major Gen. J. E. S. Brind was appointed. The little army was placed at the disposal of the governing commission under Geoffrey G. Knox, and its costs above ordinary maintenance charges were to be met out of the special plebiscite fund. The troops were received by a majority of the inhabitants with marked friendliness. Their presence and the evident anxiety of the Nazi government to restrain its nationals from any attempt at a putsch at once reassured Europe. The French, it should be added, deserved some credit for not demanding any part in the policing.

Following the agreement of Dec. 3 in regard to the Saar mines, the German and French Governments delivered to the League authorities in Geneva on Dec. 4 full political guarantees for the inhabitants of the Saar in the event of their voting for German or French sovereignty. Baron von Neurath made three promises for the Reich. He engaged, first, that there would be no persecution of those who voted against Germany or who had shown hostility to her, provided they had lived for at least three years in the Saar; second, that those who wished to leave the valley would

be allowed six months in which to decide and a year to settle their affairs; and third, that the Reich would not apply the Aryan legislation to the Saar for at least a year.

Europe thus approached the momentous plebiscite in a much happier frame of mind than could have been anticipated six months ago. The credit for this fact was due first of all to the League and next to the British Government. Each in its own way had made it clear that the Saar is not a mere Franco-German but a European problem, and even a world problem. The League had acted with great firmness, while the dispatch of British troops showed that Great Britain would never play an isolationist rôle when the peace of the Continent was at stake.

This attitude on the part of both Geneva and London was of good omen for the situation after the election. German pledges of peaceable acceptance of an adverse vote, and German pledges for the safety of the minority in case of a favorable vote, might both, under ordinary circumstances, have been regarded with a good deal of dubiety. But since the recent action Germany realized that she would be held to a strict performance of her promises.

PROSPECTS OF PEACE

The year 1934, which had begun so stormily and which in midsummer seemed so big with possible disaster, ended in calm and with some distinct gleams of sunshine, although as we have seen, the efforts in London to achieve a basis for naval limitation finally broke down. But the European and Asiatic scene was in general more peaceful than for many months past.

The League of Nations, now strengthened by Russia, gained in vigor in recent months and ended the year with credit, for it succeeded during December in smoothing over the dispute between Hungary and Yugoslavia, and in paving the way for a fair and peaceful plebiscite in the Saar. The discussion of an Eastern Locarno, which has irritated Germany and Poland so much and which seems to contain as many possibilities of evil as of good, almost completely ceased during the month. France and Italy moved toward a settlement of their long-standing differences, which as noted above, was brought about by the accord of Jan. 7.

Hitler, as we can now see, has done a great deal for peace in that he has most effectively united the rest of Europe in a moral league against him and his supposed aims. The United States and the British Commonwealth have gained a much more cordial ground. Secretary Hull's liberal and enlightened policy in Latin America has made the United States friends where it has too long been regarded with dislike and suspicion.

The darkest single spot was the Chaco, where, in spite of the efforts by the League to bring about an armistice the war between Paraguay and Bolivia continued to rage. On Dec. 19 Paraguay, her armies in the full tide of a victorious advance and her government hopeful of landing a knockout blow, rejected the League proposals for ending the conflict.

Distinct progress toward economic recovery could be reported in almost every quarter of the globe, and Sir Arthur Salter ventured the prediction that if no political disasters intervened, the world as a whole might in 1936 reach the same level of economic well-being as in 1928. When recovery arrives, as it promises to, a great many political tensions due to economic tensions may gradually disappear.

Our Foreign and Domestic Policies

By CHARLES A. BEARD

IN the long perspective of history the central event of the month in the United States was not the explosion of any verbal bombs sent up into the political sky by pretended spokesmen of business, agriculture, labor or politics. Viewed superficially, it fell not even within the sphere of domestic affairs, but rather in that nebulous realm called international. Yet in fact the event forecast revolutionary changes in the structure and functioning of powerful domestic interests—if by revolutionary we mean a radical break with the past.

This was the announcement on Dec. 15 that the State Department was maturing a plan for materially modifying the American doctrine of neutral commercial rights in preparation for the next war in Europe or in the Orient. To Americans harassed by the depression in business, by poverty and by unemployment, the proposal seemed remote from earthly affairs, but its significance was not lost on students of American diplomacy, war, foreign policy and naval preparations.

Since the days of Alexander Hamilton, naval bureaucrats, their publicists on sea power, naval-supply interests and exporting capitalists have insisted that the sea lanes must be kept open for American goods in time of war as in time of peace. The right of Americans to sell goods to neutrals and belligerents (excepting that elusive class known as contraband goods), to travel on ships and pursue their private advantages everywhere has long been held up as "a sacred right." To be sure, it was sadly shattered by the World War, but the "right" has been since reaffirmed by defenders of foreign-trade promotion. It lies at the base of the competition among nations for sea power.

Although critics had repeatedly pointed out the quixotic character of the idea that the American Navy can keep sea lanes open and protect American merchants and capitalists everywhere, all the time, against any power or combination of powers, they had made no headway against the declarations, assertions, claims and manipulations of the main parties of interest. The distinguished lawyer and realist, Charles Warren, had pointed out the peril of "neutral rights" in *Foreign Affairs* for April, 1934, but his cogent argument had seemed to fall upon deaf ears.

Then suddenly, without previous warning, the State Department declared that it was preparing for the President's consideration a program of legislation recognizing the dangerous and fictitious character of so-called neutral rights in war time and placing them under executive control. If reticent about details, the department was clear as to principles. Congress should give power to the President to stop loans to belligerents, put an embargo on munitions export, exclude belligerents from American waters and take other steps in keeping the United States out of economic entanglements. Such principles applied would make it impossible for American merchants, capitalists,

farmers and bankers to exploit foreign wars, involve themselves to the extent of untold billions and then call upon the Government of the United States to enter the war "for the defense of American [their] rights."

Should this legislation be passed much of the ground would be cut from under the feet of the "big navy" advocates and their supporters in the munitions and overseas business. In other words, American interests would cease to be identical with the interests of those who enrich themselves out of foreign wars.

Other events emphasized the significance of the State Department's announcement. At new hearings, beginning on Dec. 4, the Nye committee engaged in investigating the munitions industry made startling disclosures. (See page 593.) Other new facts were introduced by the House of Representatives Committee on Military Affairs charged with inquiring into the War Department. It alleged malfeasance on the part of certain officers in connection with purchasing, and it accused certain private supply concerns of disgraceful profiteering.

Coming at a time when professional patriots were demanding more "adequate defense" and 18,000,000 people were on the public relief roll, such revelations and allegations arrested the attention of the country and received unusual consideration at the hands of the press.

Never in the long history of war and preparations for war had matters of defense and munitions been subjected to such merciless scrutiny. Repercussions were heard in the two great European countries still having some vestiges of popular government, Great Britain and France. The Departments of War and Navy were alarmed by the fear that national defense might be crippled. From motives of interest and patriotism a demand was made for putting a damper on the Nye inquiry. No one seemed to know where the exploration of private profits would lead.

The tension was made more taut by the formal action of Japan in denouncing the naval pact of 1922, with notice of termination on Dec. 31, 1936. Difficulties were augmented by the Japanese proposal for drastic cuts in all naval outlays on the principle of security for each country within its zone of defense. Since this scheme really meant a free hand for Japan in the Western Pacific and on the Asiatic mainland, it raised again the supreme issue of American domestic politics: Do "recovery" and "prosperity" actually depend upon the promotion of American commercial interests in the Orient and elsewhere by all the engines of State—diplomacy, armed pressure and ultimately war? Thus matters which had seemed to be "foreign" in nature were demonstrated to be first of all "domestic" in nature and to involve the whole policy and program of the New Deal.*

In parallel columns on Dec. 31 *The Washington Post* revealed the state of mind existing in the Roosevelt administration. In one column the administration was represented as holding that "a naval race must be avoided after 1936 and that meanwhile jingoism must be suppressed." In an adjoining column came the statement: "Increases for national defense in both Navy and Army appropriations have been approved by the President and will appear in the budget which has just been com-

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*The issues presented by Dr. Beard are discussed at length in his recently published book, *The Open Door at Home* (New York: Macmillan).—Editor, CURRENT HISTORY.

pleted." On the dénouement history waits.

As if indifferent to the fateful character of the munitions controversy and issues of naval policy American business leaders sought to strengthen, during the month, the bonds of the truce between private industry and the Roosevelt administration (see CURRENT HISTORY, January, 1935, pages 459-462).

The National Manufacturers Association at its December meeting employed temperate language in condemning practically every feature of the New Deal. Its new president, C. L. Bardo, was more moderate than his predecessors in speaking of the recovery program. Moreover the association admitted that public relief for the hungry was necessary; it expressed a willingness to approve a "sound" employment insurance scheme; and it found some excellence in a modified NRA (without collective bargaining features) provided business were allowed "to govern itself." If the old creed of "let us alone" obtruded itself in the addresses at the convention of the association and the platform finally adopted, there was verbal recognition of the brutal fact that "six more years of Franklin D. Roosevelt" are probable.

A little more suave in its public manners than the National Association of Manufacturers, the United States Chamber of Commerce continued its efforts on behalf of the truce. Late in December its Recovery Committee called a large number of business leaders together at White Sulphur Springs and sought to ease still further the tension between organized business and the President, while making no noteworthy concessions. For three days they tossed to and fro in a fever. At the end a credo emerged, containing the economic axioms so dear to American business enterprise. Only one item was strictly new: the Sulphur Springs conference favored keeping the hungry alive by cash relief (doles) rather than by more expensive public works. The former fear of the "demoralizing dole" seems to have disappeared before the spectre of increased taxes.

When the conference program was carried to Washington by the chairman, C. B. Ames (of the Texas Corporation), he was told that President Roosevelt had other engagements. On hearing of the episode the Federal Relief Administrator, Harry L. Hopkins, said to the press: "Don't make me cry; it's Christmas-time." This seemed to be a small outcome of great endeavor.

Prospects for the "truce" were not improved when T. N. McCarter, president of the Edison Institute (see CURRENT HISTORY, January, 1935, page 461) presented the demands of his utility interests at the White House, including an invitation to the government to join him in a legal action to test the constitutionality of the Tennessee Valley development. His ultimatum and appeal received no encomium from the President. On the contrary, the document presented by Mr. McCarter was handed over to the Federal Power Commission for examination, and the chairman of that body took advantage of the occasion to reaffirm the Roosevelt power policies.

The determination of the administration to continue along the lines already laid down was also revealed in a report of the Mississippi Valley Survey Committee calling for a nation-wide electric system, lower rates and more public competition if necessary. Shortly after this report appeared, Mayor La Guardia of New York City, having declared that the electrical rates of local concerns were

too high, announced that he had been promised Federal aid in building a public plant for municipal uses. This was quickly followed by a tender of concessions on the part of New York City and Westchester electrical concerns. Thus one part of the recovery program touching business was evidently beyond the possibility of material modification.

In such circumstances the truce between organized business and the administration did not develop during December into a positive contract between the two parties. The President was genial as usual. He consulted many business leaders privately. He made few repelling gestures. But he gave no unequivocal sign that he would or could yield to the fundamental demands of organized business, which by this time had simmered down to something approximating the following formulas: substantial curtailment of relief expenditures, reducing them to the lowest cash basis; an assurance on the gold standard; abolition of government competition with private enterprise; an early balanced budget; relaxation of control over banking and financing; practical abandonment of the collective-bargaining features of NRA; autonomy for trade associations; and a limitation of Federal expenditures to "constitutional purposes only."

Business insisted that without these concessions there could be no rapid "recovery." But President Roosevelt did not publicly concede that the measures demanded, if possible of execution, would bring about the happy state of prosperity and relieve the government of its grave economic responsibilities.

If at the back of his mind the President was convinced that the directors of private business could, under any conceivable Federal policy of "let us alone," provide employment for the millions out of work none of his advisory committees entertained such a view of private economy.

The National Resources Board, in its report made public on Dec. 16, presented a documented indictment of the methods employed by private interests in exploiting and wasting the land, water and mineral resources of the country. Having paid its respects to historic practices under the rule of "let us alone," the board advocated a planned and permanent public works program, insisted on the need for intelligent planning for the use of land, water and mineral resources, indicated a number of specific projects requiring immediate attention and recommended the use of the police power to restrain abuses connected with the private ownership of land and resources. In conclusion the board proposed the creation of a national planning commission, standing apart from political and administrative power, authorized to make continuous studies and to report relevant facts and conclusions to the President from time to time.

Whatever the constructive merits of the board's report it lent no countenance to the idea that unleashed individualism could bring about an efficient and economical use of the nation's natural endowment.

The report of the National Resources Board was followed ten days later by a report from the Mississippi Valley Committee of the Public Works Administration on the use and control of waters in the Mississippi River drainage area. In this new document emphasis was laid on planned control of water resources with reference to all their varied uses. Among other things the committee urged the unification of the country's entire supply of electricity under Fed-

eral control, linking publicly and privately owned plants in a system designed to promote economy and stability. It pointed out that more than five-sixths of the farms were without electric services and declared that only under government control and leadership could the electrification of the country be brought about.

Efficient and economical use of water resources, the committee continued, "points to the need for organization of cooperation between the Federal Government and the States in research, planning and administration of programs; uniform laws relating to practices in respect to waters; the organization of intrastate and interstate conservatory districts; and for some Federal authority to promote coordination of projects and plans on a natural regional basis."

Approaching current needs from the standpoint of the natural sciences, President Roosevelt's Science Advisory Board, headed by Karl T. Compton of the Massachusetts Institute of Technology, reported on Dec. 14 in favor of a planned attack by the Federal Government, through study by competent scientists, on the principal technical problems facing the country. Sporadic research by private persons and institutions had evidently left many major problems unsolved, if not untouched.

Some of the issues raised by the report of the board fell within the domain of natural science: long distance transmission of electric power by new processes, the possibility of creating new industries by invention and scientific research, the dissipation of fog by artificial means and the extension of knowledge in meteorology, soil mechanics, geography and geology. Other issues presented by the board involved the industrial and social arts: use of mineral resources, control of sewage disposal, the social effects of industrial mechanization and natural resources in their economic, social and political relations.

Having laid out significant fields of scientific advance, the Science Advisory Board called upon the Federal Government to take leadership in planning, financing and executing such a national program of research, employing public and private agencies and personalities of competence.

Nor was there in the sphere of practical politics in Washington during December any sign of the abandonment of the idea of collective planning and action so prominent in the policies of the New Deal. A multitude of voices was heard. Conflicts and confusion of opinions were marked. No startling strokes of State were made. But no excursions were made in the direction of laissez-faire.

Ballotings by farmers and pronouncements by the Secretary of Agriculture indicated the continuance of crop control in some form. In the National Recovery Administration appeared no evidences of a desire to return to the individualism of trust-busting. There were numerous controversies in the world of labor relations. Representatives of the Newspaper Guild clashed with counsel for the Newspaper Code Authority at an NRA hearing on editorial wages and working hours. There was unrest in the steel industry. But the National Labor Relations Board ordered the reinstatement of an employe of the San Francisco *Call-Bulletin* who claimed that he had been discharged on account of his activities in the Guild. And on Jan. 1, 1935, it was announced that the Steel Labor Board had ordered the elections demanded by unions in two plants controlled by the United States Steel Corporation.

Although employers stubbornly con-

tested almost everywhere the efforts of Federal authorities to enforce the collective-bargaining features of Section 7a, although legal proceedings were drawn out to tortuous lengths, the National Labor Relations Board offered no signs of surrender.

In the sifting and accumulation of precedents, which is the substance of history, a return to the economy of Andrew Jackson's day seemed more than ever out of the question as the new Congress gathered in Washington.

Such was the uncertainty of things when the Seventy-fourth Congress assembled on Jan. 3. Never before had such an aggregation of unknown qualities and inexperience appeared on Capitol Hill. And, in the contest of wits, leadership in the House of Representatives passed to old members who could not by any stretch of imagination be classed as sympathetic to the ideas of the New Deal.

To the office of Speaker was elevated J. W. Byrns of Tennessee, whose votes in the House over a period of years had generally been on the side of "the power interests," so criticized and mauled now at the other end of the avenue. The position of floor leader was assigned to W. B. Bankhead of Alabama, of whom a political writer in favor at the White House says: "Bankhead is a millionaire, a conservative and an expert on rules. Other than that he has no qualifications for the post."

To clear the way for "the steamroller" the Democrats abolished the old discharge rule by which 145 members of the House could get a measure out on the floor and substituted a new "gag" rule requiring a majority—218 members—to force a vote on legislation not favored by the inner directorate of the party. The power of the Republicans was also reduced by cutting down their proportion of membership on committees.

The Senate prepared for the session by re-electing Senator Robinson of Arkansas floor leader, Senator Pittman president pro tempore and Senator Lewis whip. From the caucuses no signs of policy emerged. News from the White House was awaited.

On Jan. 4, the message was delivered in the hall of the House of Representatives by President Roosevelt in person. After presenting a number of generalities, including a disclaimer that he intended to impair the profit motive, the President defined the prime objectives of his administration under the head of security: (1) of livelihood through the better use of the natural resources of the country; (2) against the major hazards and vicissitudes of life, and (3) of decent homes. A broad program designed ultimately to establish these three factors of security, the President said, he was now ready to present to Congress.

Then he approached the subject of dealing with approximately 5,000,000 unemployed on the relief rolls. Here the President was emphatic: "The Federal Government must and shall quit this business of relief"; the haphazard business of doling out money and providing trivial jobs must be stopped. About 1,500,000 unemployed, belonging to the group usually dependent on local welfare agencies, he proposed to return to the States, counties, cities, towns, churches and private welfare agencies.

For the remainder, approximately 3,500,000, the Federal Government was under obligations to provide work according to seven principles: All work must be useful; compensation must be above the dole level and not large enough to discourage per-

sons from entering private employment; projects should be chosen with a view to employing directly the largest percentage of labor; projects should compete as little as possible with private enterprise; provisions should be made for tapering off public work as rapidly as private business can absorb the unemployed; the location of projects should be determined with reference to the amount of local unemployment and to the plans of the National Resources Board.

Among the projects suggested by the President were slum clearances which cannot be made by private capital, rural electrification and the elimination of grade crossings. Other issues, such as consolidation of transportation control, renewal and clarification of NRA, and tapering off the credit activities of the government, the President postponed for later communications to Congress.

Turning to foreign affairs, President Roosevelt said: "I cannot with candor tell you that general international relationships outside our borders are improved." He added: "I believe, however, that our own peaceful and neighborly attitude is coming to be understood and appreciated."

The annual budget outlining the expenditures needed to carry on the government and the administration's recovery program was sent to Congress on Jan. 7. Expenditures for the fiscal year 1936—it begins July 1, 1935—were estimated at $8,520,000,000, of which $3,938,000,000 was for regular purposes and the remainder for relief and recovery. Although President Roosevelt when submitting the budget for 1935 had said that the budget for 1936 would be in balance, he failed to attain that goal. The new budget showed an estimated deficit of $4,528,000,000, a discrepancy which, the President said, would raise the national debt to $34,239,000,000—the highest figure in American history.

It was true, however, that except for the expenditures to give work to the unemployed the budget balanced. Yet the largest single item in the budget was for unemployment relief. To carry out the plan of work relief discussed in the President's annual message, $4,000,000,000 was asked—to be "appropriated in one sum, subject to allocation by the Executive."

In defense of the continued and tremendous deficit the President pointed out that "despite the substantial measure of recovery achieved * * * unemployment is still large. The States and local units now provide a smaller proportionate share of relief than a year ago, and the Federal Government is therefore called upon to continue to aid in this necessary work. * * * Such deficit as occurs will be due solely to this cause, and it may be expected to decline as rapidly as private industry is able to re-employ those who are now without work."

Whether revenues will exceed or fall behind the Treasury's estimates will also depend, of course, on the state of the nation's business. Yet in no event will they greatly affect the size of the deficit. This is to be financed not, as Progressives would like, by increased taxation, but by the sale of government securities. On this point many conservatives were ready to join hands with liberals in criticizing the administration's fiscal policies. The President, however, insisted that there was nothing in the budget to affect "the excellent credit of the government," and he declared that if the budget figures were accepted by Congress the government would be carried on "with economy and a high standard of efficiency" at the same time that all proper efforts were used to "prevent destitution."

The Senate Munitions Inquiry

THE special munitions committee of the United States Senate resumed hearings on Dec. 4. (For the first phase of the inquiry see November CURRENT HISTORY, page 200.) Earlier, on Nov. 18, a letter to Chairman Nye from Lammot du Pont, president of E. I. du Pont de Nemours & Co., had been published. Asked for his advice on national munitions policy, Mr. du Pont expressed the opinion that the need for preparedness precluded government ownership of munitions plants—a policy which Senator Nye has consistently advocated. Mr. du Pont recommended instead the elimination of excess profits in wartime and an international agreement to control trade in arms. Better still, he said, would be strict government control of munitions exports.

Ironically enough, the renewed hearings, in which du Pont officials were the principal witnesses, showed that government control of munitions exports in the past had been with little difficulty thwarted and that relations between government officials and arms manufacturers were such that "regulation" was likely to be benign rather than effective. The Department of State had more than once looked the other way in embarrassing circumstances. The War and Navy Departments believed private arms manufacturers were essential to the national safety, and advanced their cause whenever possible. This fact was underscored by an official War Department statement made public on Dec. 21.

The actual testimony heard during the first week was neither coherent nor particularly startling. The Colt Patent Firearms Manufacturing Company had known in 1908 that a European war was brewing and had made ready to receive orders. The Winchester Repeating Arms Company had done its best to see that "sporting arms and ammunition" were not involved in the international treaty for the supervision of arms signed at Geneva in 1925. Nearly all American munitions manufacturers had, despite the Versailles treaty, been dealing with Germany; "everybody," including European War Departments, knew that Germany was rearming.

Remington was certain in 1933 that "nothing will be done to interfere with business" in Bolivia and Paraguay—this on the promise of "some mighty high officials" in Washington. Du Pont in 1925 had evaded regulations by shipping explosives to Manchuria in double containers, and at another time had delivered gunpowder to China by sending it first to Holland. A Remington official was reported to have said that State Department representatives winked at petty graft in Latin-American arms deals and became indignant only when foreign companies were offering "commissions" to secure important orders. Something of this sort was proved on Dec. 29 when the State Department, acting independently of the Nye committee, made public a series of documents revealing how in 1918 Secretary of State Lansing had interceded on behalf of the Bethlehem Steel Corporation when the British firm of Vickers Armstrong was about to gobble up a fat Brazilian armament contract.

The War and Navy Departments had approved the sale of war materials

to Japan because thereby they might acquire a notion of the degree to which Japan was arming. The War Department had lent du Pont the greater part of its own slender supply of a chemical essential to the making of powder when the du Pont store had been destroyed by fire. At another time the army had lent a gun for demonstration purposes in Holland. General Pershing, it was indicated, had "heartily endorsed" official activities on behalf of the du Pont company.

If these and similar charges placed on record differed but slightly from those set down several months before, they at least showed that the committee had been zealously searching out the munitions industry, as it had been empowered by the Senate to do. Then, on Dec. 12, President Roosevelt unexpectedly intervened by announcing that something ought to be done "to take profits out of war," and appointed Bernard Baruch and Hugh S. Johnson to direct a committee charged with preparing plans.

The idea was not a novel one. It had been put forward by Presidents Harding, Coolidge and Hoover. It had been endorsed by the American Legion. Under Congressional resolution in 1931 a special commission had inquired into the problem of how "to promote peace and equalize the burdens and remove the profits of war." Its report, formulated under the guidance of military and naval experts, with the aid of Mr. Baruch, had placed more emphasis on mobilizing man power and industries for war than on the operation of taking profits out of the munitions business.

The sudden appointment of Mr. Baruch as head of a new committee was, therefore, greeted by Senator Nye as a scheme for closing down the munitions investigation and forestalling its report by a Baruch-Johnson program more acceptable to the War and Navy Departments and to the munitions industries. Speaking for himself, Senator Nye made the following comment:

"There is not yet of record a full picture of the part which the Army and Navy and other departments of the government are playing with the munition makers in preparing a program for war. It is amazing to me that efforts would now be made to seem to check and halt the work of our committee, which is under instruction by the Senate first to ascertain the facts and then report its recommendations for legislation. * * * Our hearings have revealed that departments of the government are co-defendants with the munitions industries and the profiteers. Instead of letting these departments write remedial legislation, let us first have full knowledge of the part they have played in creating the need for remedy. * * * I cannot but think how unfortunate it is that Dillinger is dead. He was the logical person to write anti-crime laws."

But the inquiry went on, even if it departed from what seemed to be the logical course of procedure. On Dec. 13 were published the actual "profits of war" figures. Manufacturers of powder and other explosives, it was shown, were not alone in making huge percentages. In 1917 the United States Steel Corporation had made 35 per cent on its invested capital, Calumet and Hecla Copper Mining Company 800 per cent, New Jersey Zinc Company 95.9 per cent. The du Pont Engineering Corporation, it was charged, had realized 39,231 per cent profits in connection with a powder plant built with government funds in 1918. Individual gains were also listed; among

those who reported annual incomes of $1,000,000 or more between 1915 and 1917 were six members of the du Pont family.

The committee's publication of this list of 181 wartime millionaires roused a storm of protest. Indignant explanations were many; person after persoon claimed that his income had in no way been derived from the munitions industry. Senator Nye and his associates then began a new tack. On Dec. 14 the press received copies of a message from Ambassador Page to President Wilson on March 5, 1917, in which the Ambassador stated that Great Britain might default on her munitions bill and bring on a panic in the United States if the United States did not enter the war on the side of the Allies. Senator Nye accompanied the publication of this message with a statement that his committee intended to investigate the financial operations of the Allies in the United States previous to American participation. Although there seemed to be a general tendency to disregard Ambassador Page's message and to treat lightly the proposal to investigate pre-war munition financing, Senator Nye indicated that he would ask the Senate for money, and authority if necessary, to make the proposed inquiry.

The next subject was the plans for the next war. On Dec. 19, Lieut. Col. C. T. Harris, director of the planning branch of the Army, testified that the entire resources of the nation—physical, industrial and financial—would be mobilized, that prices would probably be fixed and that industrialists and financiers would form advisory committees on ordnance procurement. Senator Clark pointed out the dangers of again calling into such service men who are financially interested in the manufacture of war supplies. Other commentators declared that under the War Department's plans freedom of the press and the rights of labor would be sacrificed.

On the same day the committee read into the record an account purporting to show that the government could manufacture cartridges at a much lower cost than could private interests. Later Senator Nye introduced letters exchanged by John J. Raskob and a retired du Pont official which he said were "the birthplace and the birthtime of the Liberty League," anti-New Deal organization. On Dec. 21 the committee concluded its hearings.

Thus came to an end the second phase of the inquiry. Since funds had been exhausted, an additional appropriation of $50,000 was asked. This sum Congress was expected to vote, and the committee made plans for the impending third phase of their work, confident, as Senator Nye had said on Dec. 26, that the administration was willing to see it pushed to the limit.

At about the same time the first positive effect of the investigation became apparent abroad. Prime Minister MacDonald of Great Britain announced on Dec. 21 that a royal commission would soon begin its inquiry into the British armaments industry. Earlier in the month Mackenzie King, former Prime Minister of Canada, had called for an empire-wide investigation, and Pierre Cot, former French Minister of Air, had startled the Chamber of Deputies with a like demand in regard to France. The echoes raised in Washington, it is clear, will not quickly subside.

R. T.

Canada Debates Reform

By J. Bartlet Brebner
Assistant Professor of History, Columbia University

The next Canadian general election should be held before September, 1935. Until recently it was expected to be as late as possible so that Prime Minister Bennett might have the honor of representing Canada at King George's Jubilee in May, 1935, but a remarkable outburst of party activity during December seemed to indicate an earlier election. In a series of speeches and announcements the opposing leaders sent up various trial balloons.

Premier Bennett, after making it clear to his constituents in Calgary in November that he would lead the Conservative party at the polls "within a few months," spoke more definitely at Brockville on Dec. 5. His main theme was that the Ottawa Agreements, which he had made in 1932, had saved Canada during the depression and that therefore Canadians should give him a mandate for their revision between now and their termination in 1937. That task should not be entrusted to the Liberals, whose attacks on the agreements in Parliament showed that they would sacrifice empire trade for a commercial agreement with the United States. His other statements were much less emphatic. He himself was "perfectly willing to make a bargain on terms fair and just" with the United States. His government would take action on the report that was to be presented by the Royal Commission investigating business abuses.

Mackenzie King, leader of the Liberal Opposition, who had been notoriously loath to announce his policies because public favor for his party was so great that he need not seek any, responded to Mr. Bennett's speech by saying that he had no intention of scrapping the Ottawa Agreements. The Liberal view coincided with that of Stanley Baldwin, that the way to increase international trade was by lowering tariffs. From these remarks and through leakage from the closed meetings of the Liberal Federation during December, the Liberal platform was understood to be: (1) General tariff revision and reduction, probably to the 1930 level; (2) a comprehensive trade treaty with the United States; (3) repeal of the Natural Products Marketing Act and sales of Canadian surpluses for what they would bring in world markets, and (4) conversion of the quasi-independent Bank of Canada into a State institution.

W. D. Herridge, the Canadian Minister to the United States, dropped a stone into this quiet pool of traditional policies by a vigorously worded speech at Ottawa on Dec. 15. In the presence of both party leaders and of other worthies, the reputed Conservative heir-apparent visibly startled Mr. Bennett by coming out flatly, if very generally, for State planning and regulation of economic activity. He said that if complacency and inaction were to continue, "it won't be long before we are on the rocks." He favored a regulated capitalistic system and thought that social planning might be more important than economic and

political planning, but asserted that "there is nothing sacred about the economic system but the welfare of the people." "The automatic kind of progress," he commented, "seems pretty well slowed up."

Mr. Herridge has been one of the keenest foreign students of the New Deal in Washington and he knows from the inside its successes and failures. Perhaps because he is Mr. Bennett's brother-in-law, he succeeded where the evangelistic Mr. Stevens had failed and persuaded Mr. Bennett to alter the tone of his public utterances. Two days later Mr. Bennett spoke in Montreal on the text "the world will never again be what it was; we have come to a parting of the ways."

This speech almost echoed Mr. Herridge's, as it pointed out that capitalism must be reformed for its own salvation. Mr. Bennett maintained the same tone in the first of a series of radio addresses on Jan. 2, in which he said he saw few signs of general recovery, nor could there be permanent recovery without reform. "To my mind reform means government intervention. It means government control and regulation. It means the end of laissez faire." He felt that direct relief was a confession of failure. "If we cannot abolish the dole, we should abolish the system."

The second of the Premier's radio addresses was delivered on Jan. 4 and expanded the ideas which he had set forth earlier. He promised laws for minimum wages and maximum hours, social insurance, higher taxation on earned and unearned incomes, protection of the farmer and reduction of his debt burden. Though such proposals were not new in Canada, they sounded strange coming from Mr.Bennett. The Montreal *Gazette* declared that the Prime Minister had done "violence to every Conservative principle."

The campaign was too young, the character of the speeches too general and the time for development of inevitable schisms among the Conservatives too short, to make it certain that Mr. Herridge and Mr. Bennett had really committed their party to systematic State intervention. It was ironical that H. H. Stevens, who had been clamoring for the change for a year, had been ousted from the Cabinet by its conservative elements only a month earlier. It was perhaps more ironical that the Cooperative Commonwealth Federation, which has done a great deal to educate the Canadian people along Socialist lines and which would welcome increased State control, was bound to question the sincerity of Mr. Bennett's conversion and to hint at the fascism which it portended.

From the point of view of political tactics, Herridge and Bennett have taken the wisest course, the one for which the discarded Mr. Stevens had acted as the forerunner. Anti-Conservatism seemed practically certain to sweep the Liberals in at a general election and the Socialists would probably be lost in the flood. The Conservatives, to make any kind of fight and preserve party identity if they were beaten, would need something better than trade policies. Their business backers had already gone over to the Liberals. The thing to do was to brand them all with the mark of laissez faire, confident that they would accept it and that the more radical of the Liberals and Conservatives would join the Bennett-Herridge group rather than the orthodox Socialists. Then they could take their pick of Baldwin's policies in Great Britain and of Roosevelt's in the United States to weave with their own ideas into a program for Canadian

reconstruction. It was the sort of move that Senator Borah would have approved in the United States.

While Canadians were adjusting themselves to this party revolution, Sir Maurice Hankey, secretary of the Committee of Imperial Defense, spent a week at Ottawa at the conclusion of his tour of the empire. He held long conferences with the Prime Minister and the Department of Defense. After his departure, the impression spread that the Royal Jubilee next May would be the occasion for imperial conferences on foreign policy in the Pacific, military and naval measures and intraimperial economic policies. That would make it imperative for the Canadian Prime Minister to have a clear popular mandate. In these circumstances, Mr. Bennett was believed to have consented to a general election before the end of April.

CANADIAN BUSINESS PRACTICES

The Royal Commission which is investigating Canadian business turned in December to chain stores and the textile and canning industries. They heard abundant evidence as to the short weight and adulteration in chain stores, which was held to be due to managers having to balance stock without sufficient allowance for wastage and shrinkage. Vigorous denials failed greatly to influence this public impression. But the commissioners were most deeply concerned about the low wages and long hours of store employes and textile workers and the low prices paid to farmers by the canners. A great deal of evidence was elicited as to corporate profits and keen curiosity was shown as to the financial and managerial manipulation of American branch businesses in Canada.

Mr. Stevens, who continued to be active on the commission, announced that he favored the creation of a permanent Federal trade and industries commission with powers over merchandising. He and others felt that the weights and measures legislation must be reformed to provide for standard containers. The Combines Investigation Act was the subject of renewed attention with a view to amendment. There was some advocacy of price-fixing for staples, but the most common proposals were for raising the minimum wage levels. The tariff-protected textile industry lost public sympathy when it was shown that low wages, sustained dividends and the drying-up of American imports led to prices much higher in Canada than in the United States.

The Dominion-Provincial conference at which Mr. Bennett had planned to discuss the constitutional revision necessary for the increase of Federal powers has had to be abandoned for lack of Provincial support. It was announced on Dec. 22 that after an interprovincial conference Ontario and Quebec had agreed to unite to secure uniform social legislation.

THE NOVA SCOTIA COMMISSION

The Province of Nova Scotia, quite certain that it had suffered economically through being part of the Dominion, appointed a Royal Commission after the 1933 election to investigate. The report made public on Dec. 7 asserted that from a purely economic point of view secession from the Dominion "would be sheer folly," but demonstrated that Nova Scotia had suffered materially from the Canadian tariff policy of the past fifty years. It found the present Dominion subsidy to the Province to be seriously inadequate. In addition to a number of domestic Provincial reforms it recommended lower Canadian tariffs or draw-back arrangements on materials used in industry, and revision of

the Combines Investigation Act to prevent the larger Canadian industries from exterminating the smaller ones of Nova Scotia.

THE ECONOMIC SCENE

Canadian agriculture a little more than held its own during December because of the continued good market in the United States for damaged grain. The American tariff has been reduced from 42 cents a bushel to 10 per cent *ad valorem* and the Canadian railways have met the closing of navigation by cutting their rates on No. 6 and lower grades of wheat. When American corn costs $1.10 a bushel not only can 70-cent damaged Canadian wheat easily compete for feed purposes but the whole Canadian grain business improves. During December wheat prices remained from 2 to 5 cents above the pegged levels. On Dec. 24 the United States Department of Agriculture arranged to admit 300,000 tons of Canadian hay and roughage duty free and both Canadian and American railways made special rates.

The newsprint war had not been pressed to the conclusion of a general settlement by the end of 1934. Two mills had cut prices and had not publicly come to terms either with the other producers or with Prime Minister Taschereau of Quebec. American newsprint users had fulminated without visible effect over the rise in prices. Mr. Taschereau held a conference of producers in Quebec on Dec. 19, but they failed to reach agreement, although they promised to meet among themselves and report to him.

The Canadian dollar during December fell almost to parity with the American and had less than 1 per cent premium at the beginning of the year. This was attributed partly to year-end demands for exchange to meet Canadian indebtedness, partly to the decline in sterling, partly to an alarmist article in a popular American weekly and partly to the revelation that the inflation of notes in Canadian · circulation had almost reached the $54,000,000 permitted.

Foreign trade and its favorable balance continued at their high level, but the triangular exchange whereby Canada exports to Great Britain more than she buys and buys more from the United States than she sells was somewhat obscured by American emergency purchases of Canadian farm products. Figures for the first eleven months of 1934 showed some interesting results. The favorable balance (excluding bullion and coin) of $124,145,000 was only $3,830,000 greater than in 1933; the total value of foreign trade was 26 per cent greater, while imports increased 30 per cent over 1933 and exports 23 per cent. The amount of duty collected, while 21 per cent above 1933, had not quite returned to the 1932 level. Nevertheless, with an estimated $100,000,000 of gold produced in 1934, practically all of which was exported, the total Canadian economy seemed vigorous.

Statistics for the economic recession of October, now available, show it to have been quite sharp. During the seven weeks ending Dec. 22, however, the general economic index advanced steadily to reach 102.4 (1926 base), a new high for 1933 and 1934.

Results of the Good Neighbor Policy

By Hubert Herring

The year 1934 closed with definite gains in the relations between the United States and the Latin-American countries. The Seventh Pan-American Conference in Montevideo in December, 1933, prepared the way. It created a fundamentally new atmosphere in which to work out relations of mutual respect.

Secretary of State Cordell Hull, by his candor and conciliatory temper, went far toward banishing stubborn suspicion of American motives. He did much toward persuading the leaders of Latin America that the United States is resolved to cooperate in securing the peace of the hemisphere, sincerely anxious to work for economic betterment, determined to forswear the business of intervention and domination, and more than willing to unite for constructive inter-American reciprocity.

Hard upon Montevideo came the repetition of the Roosevelt "good neighbor" policy and the declaration that hereafter the United States would be opposed to intervention in the internal affairs of the Latin-American republics. The past year has thus witnessed the growth of new confidence in the Washington government, a confidence which opens the highways of cultural and economic interchange and gives promise of substance to the Pan-American ideal.

This new confidence in the United States has been strengthened throughout the year by the vigorous support given by Washington to all moves for settling the territorial disputes in Leticia and the Chaco. A conspicuous success was registered in the case of Leticia, although the Chaco still confounds the counsels of the nations. The sincere efforts toward peace have served to unite the American republics as they have never been united before. This common enthusiasm and aspiration was given tangible form during the year 1934 in the hearty and widespread ratification of the older peace covenants and of the Argentine anti-war treaty of non-aggression and conciliation. However critics may discount these instruments as effective agencies for peace, they must be welcomed as harbingers of a common American will to peace.

Most impressive in the list of achievements stands the changed attitude toward our nearer neighbors in Mexico, Central America and the Caribbean. The Platt Amendment has been abrogated; we have entered into new trade arrangements with Cuba, and Cuba for the first time in her history has a fair chance of exercising the prerogatives of a free nation, including the right to make her own mistakes. We have withdrawn our marines from Haiti, removing a constant cause of ill-will and contention which for nineteen years has poisoned our relations with all the Latin-American peoples. In Mexico the generous and appreciative attitude of Ambassador Josephus Daniels, though it has on at least one occasion prompted him to make politically inept statements, has served to create better relations. In Central America we have steadily

loosed our hold and given evidence of our intention to desist from the practices that aroused the wrath of their peoples and served to poison the attitude of all our Southern neighbors toward us.

The year 1934 closed with the Pan-American ideal revealing more vitality than it had ever shown. There is less suspicion of our motives, a greater willingness upon the part of Latin-American leaders to explore with us the untried paths of inter-American cooperation. The credit for this happier state must be divided between Franklin Roosevelt and Herbert Hoover. The abandonment of the policy of aggressive control over the destinies of neighboring republics was well under way by March, 1933; the withdrawal of marines had begun; Henry L. Stimson had already pointed out the need of returning to the earlier doctrine of recognition; the policy of leniency toward defaulting Latin-American debtors had already been accepted. Under President Roosevelt these policies were given more definite expression and the air has cleared accordingly. Students of inter-American relations are substantially agreed that 1935 opens auspiciously for the forging of closer ties between the peoples of the Western Hemisphere.

DEADLOCK IN THE CHACO

There was no Christmas truce in the Chaco. It was the third Christmas of that peculiarly cruel and insane little war, and no recess was taken. The Vatican pleaded for cessation of firing for one day, but without success. Two years ago there was a Christmas truce, and Bolivians and Paraguayans had spent the day tossing oranges and pieces of chocolate across the barricades; a year ago there was a longer truce over the holiday season, thanks to the Pan-American Conference in Montevideo. Christmas Eve, 1934, was observed with a midnight mass and the resumption of fighting on Christmas morning.

Paraguay's decisive victories in November, her smashing of the Bolivian Fort Ballivián and the taking of numerous prisoners and supplies gave her the upper hand in the southwest. These victories enabled Paraguay to concentrate her forces in December upon the northern sector, behind which lie the rich oil deposits of Bolivia. December saw Paraguay closing in upon this northern sector both from the south and from the east. On Dec. 7 Fort Samaihuata fell, the Bolivian field base from which General Penaranda directed the defense of Fort Ballivián; on Dec. 8 Paraguayan forces took Forts Picuiba, Loma Vistosa and Irindaque, and on Dec. 12 Bolivia lost Fort 27th de Novembre in the northwest. These victories gave Paraguay possession of all previously disputed areas of the Chaco and put her within striking range of the oil lands.

Bolivia, torn by civil dissension, took energetic steps to meet the threat of further onslaughts from Paraguayan arms. On Dec. 9 a general mobilization of the country's entire man power, including reserves between the ages of 31 and 49, was ordered. Drastic as this mobilization sounds, the actual facts are probably much more sobering. It is reliably reported by recent visitors to Bolivia that mere boys and many older men are doing full duty in the ranks. The reports of forcible drafts upon the Indian population of Bolivia, where the Indians outnumber the whites five to one, are disquieting. The Indians of Bolivia, living in isolation and bitter slavery, now have forced military service added to their burden. They are being taken from their high, cold vil-

lages to the fever-infested jungles of the Chaco, angry, rebellious, and in many instances totally without loyalty to the nation in whose army they are compelled to serve. The Bolivian Government of José Luis Tejada Sorzano expects to raise a virtually new army of over 100,000 men. Its greatest weakness is rooted in the old struggle between Indian and white.

Paraguay in the meantime is exultant, and is in no mood to make terms. The Chaco war furnishes a sobering footnote to Woodrow Wilson's dictum on "peace without victory." Victorious Paraguay is minded to concede nothing. She has tasted blood and seems little disposed to stop short of active invasion of the enemy's territory. On Dec. 18, Paraguay notified the League of Nations of her rejection of the peace plan approved by the League Assembly in November. "In the judgment of our commander-in-chief," said the Paraguayan note, "any one knowing conditions in the Chaco territory will understand the impracticability of the measures of security provided in the plans. * * * It would be absolutely impossible for the control commission to comply with its mission, no matter what means it might use."

In the meantime, Paraguay has paid a frightful toll. Her scant population of 800,000 has been drained of its able manhood. Her victims have been the farmers, artisans and professional men. They have fought Bolivia, three times greater in population, and against an army largely manned with conscripted Indians.

Events in Bolivia throughout December were shrouded by an effective censorship. It appeared clear that Provisional President Tejada was finding life none too simple. The great Indian population has grown increasingly restive, and remains more than willing to revolt if a leader appears. General José Lanza was reported to have led such a revolt early in December, but without success. It is clear that Bolivian internal morale is shattered and that the present administration does not possess a united following such as President Ayala of Paraguay enjoys.

The peace efforts of the League of Nations continued throughout December. The League Assembly's report of Nov. 24 was, as has been noted above, rejected by Paraguay on Dec. 18, although it had been accepted by hard-pressed Bolivia on Dec. 10. The United States, having taken a stand in November which seemed to exclude her from participation in League plans for the Chaco, on Dec. 7 seemingly reversed this earlier stand. Word was sent to the League that the United States, while unable to accept membership on the advisory committee of the League in Geneva, would accept the invitation to be represented on the neutral supervisory commission which it is planned to convene in Buenos Aires when and if Paraguay and Bolivia accept the League's proposals. Behind these seemingly divided counsels lie the debates between the pro-League and anti-League factions in the State Department. That is a story which cannot be told until the principals involved tell their tale.

CUBA'S ELECTION CAMPAIGN

The Cubans are scheduled to elect a President on March 3. The campaign is being conducted with bombs, castor oil, strikes and ultimatums—all of which, some will say, goes to prove that Cuba is unfitted for self-government, or, as others will counter, that Cuba has so long occupied a servile economic and political status that she must go through a period of chaos before she can learn to rule herself. In

the meantime, there is plenty of disorder.

December saw campaign headquarters established in the Presidential palace, from which the honest but none-too-brilliant Provisional President Carlos Mendieta delivered himself from day to day of generous but unconvincing good advice to his people. In Havana army headquarters, the ubiquitous Colonel Fulgencio Batista cracked the whip and ordered all to behave. In Miami the chief leaders of the ABC—Joaquin Martinez Saenz and Jorge Mañach—set up camp in one hotel lobby, and ex-President Ramón Grau San Martín, leader of the revolutionary party, established himself in another.

The Cuban election is being watched anxiously by Washington and by all interested in near-by Latin-American affairs. Washington has officially washed its hands of all responsibility by the abrogation of the Platt Amendment and by President Roosevelt's fairly explicit promise that we are through with intervention. Fervid hopes are being voiced that Cuba's performance will not too seriously test these pious intentions. The more cynical—both in Washington and in Havana — suspect that these intentions might be modified should civil war break out.

The Cuban leaders present strange contrasts. Carlos Mendieta, the Provisional President, is an honest, rather stolid patriot who is perfectly willing to be President if his country calls him. There is little evidence that his country will call him very insistently. His own party, the Nacionalistas, are behind him, but there is practically no one else. Mendieta seems intent upon giving Cuba a fair election.

Fulgencio Batista, one-time sergeant, now Colonel and head of the army, comes nearer to ruling the country than does the President. On Dec. 12 he "purified" his army by expelling thirty officers who were suspected of disloyalty to their chief. Three days later he bade political malcontents behave and announced that the army was strong enough to put down any revolutionary attempt. These remarks were directed at Grau San Martin and the leaders of the ABC.

Ramón Grau San Martín, who ruled Cuba from September, 1933, to January, 1934 (without benefit of American recognition), settled in Miami in December. He has the support of a strangely mixed body of followers—many students, professional men and assorted radicals. He is honest, devoted and quite impractical.

The ABC organization, whose leaders, Martinez Saenz and Jorge Mañach, established headquarters in Miami in December, has a rôle difficult to appraise. The ABC was born in the anti-Machado fury, and enlisted the support of large sections of the best men and women in Cuba. It still possesses a large following. In its earlier stages, before the overthrow of Machado in August, 1933, it revealed a mildly socialistic coloring; now, after sharp clashes with Grau, Batista and Mendieta, it seems endued with a frankly Fascist hue. Its paper, *Acción,* is bitterly anti-Mendieta and anti-Batista. On Dec. 12, eight of its editors were kidnapped and compelled to swallow large doses of castor oil. Publication of the paper was suspended by President Mendieta, but the order was reversed. The kidnapping and the suspension were commonly charged against Colonel Batista. The clear policy of the ABC is to wait until all other factions wear themselves down, and then to seize power at one swift stroke.

The rôle of the American Ambassador to Cuba, Jefferson Caffery, is debated. What part, if any, does he play in the unfolding drama? The opposition is certain that he directs Batista's hand, and that through Batista, Washington still rules Cuba. This conviction serves to complicate the Havana scene and to keep alive the old suspicions against the United States.

MEXICAN HOUSECLEANING

In Mexico the reformers are having their day. President Lazaro Cardenas is Spartan in simplicity and in moral conviction. Within a week after taking office he signed a decree closing all gambling places in Mexico. This included the highly ornate "Foreign Club," on the outskirts of Mexico City, built to promote tourist trade, and attracting crowds of many thousands every week; the pretentious "Casino de la Selva" in Cuernavaca; and the resorts of various types which adorn the towns opposite San Diego. The decree revealed the conviction and the temper of Cardenas, for these resorts belong to men who stand close to ex-President Rodriguez and the chief of all Mexican leaders, General Calles. It strengthens the impression that Lazaro Cardenas was really chosen as President and not as the mere puppet of Calles. Cardenas has announced that he proposes to move against the liquor traffic, and discussion is active as to steps he may take.

President Cardenas during December, his first month in office, revealed his zeal for restoring lands to the Indians. On Dec. 8 the Mexican Government took over some 915,000 acres of land in the State of Zacatecas, the property of the International Rubber Company of Delaware. A protest against this action has been filed with the American Embassy, but it is not generally believed that any effective contest will be made. This move upon the part of Mexico recalls the experiences of 1925-26, when Calles sought to apply the agrarian laws against foreign owners. President Cardenas has also taken steps to assist in the financing of the farmers. The substantial sum of 20,000,000 pesos has been set aside for loans to help farmers stock and equip their farms.

During December there were no important developments in the church question. President Cardenas, in spite of his well-known anti-clerical point of view, is expected to adopt a more conciliatory course than that of his predecessor. There was, on Dec. 12, some governmental interference with the celebrations at the Shrine of Guadelupe. This is the great day of the church year for loyal Indian Catholics and scores of thousands flock to the shrine in memory of the miraculous apparition of the Holy Virgin on Dec. 12, 1531. Any interference with that celebration is bitterly resented. This year it took the form of stopping the Indian dances which are observed each year in the open courtyards around the basilica.

The turn of the year found Mexican business conditions showing decided improvement. The production of metals during the year 1934 had increased generously all along the line—gold, silver, copper and lead; an increase in volume ranging from 5 to 50 per cent and an increase in trading value chargeable to the fact that the Mexican peso has been pegged with the American dollar. Petroleum production was on the upgrade. Total exports for the first eight months of 1934, amounted to 427,000,000 pesos, as compared with 115,000,000 pesos for the corresponding period of 1933.

Aid for Britain's Needy

By RALPH THOMPSON

BEFORE the British Parliament adjourned on Dec. 21 for the Christmas holidays, it approved two important measures affecting the unemployed. One was the draft of the Unemployment Assistance (Determination of Need and Assessment of Needs) regulations, the other the Special Areas (Development and Improvement) Bill. The title of the latter had been amended at the last moment from "Depressed Areas Bill."

The new scales and system of relief worked out by the Unemployment Assistance Board were approved by the House of Commons on Dec. 19. There was no question of amendment, for the Unemployment Act of 1930 provides that the House must either accept or reject regulations. Labor, backed by the Opposition Liberals, moved their rejection on the ground that they were inadequate, but the motion was easily overridden, the government's majority being 197.

Between 3,000,000 and 4,000,000 persons will be affected by the new regulations. Administration will be in the hands of the Unemployment Assistance Board, which on Jan. 7 took over the administration of transitional payments (payments to unemployed insured persons not receiving insurance benefit). On March 1 the board will take over payments to the remainder of the able-bodied unemployed, now on poor relief. The increased annual cost to the State will be about $15,000,000 on account of transitional payments and about $40,000,000 on account of the transfer from local authorities of the poor-relief administration.

Now called the test of needs, the means test will be applied by the Assistance Board's officers. In this regard concessions have been made in the matter of personal savings and in what constitutes "family income" if certain members of a household are employed. The basic scale of payments for relief is somewhat higher than before and will vary with rent paid and with such "available resources" as a household may have. Twenty-four shillings per week (about $6) for a man and wife will be the average, with additions for each child.

The Special Areas Bill passed the Commons on Dec. 13. Early in November four commissioners appointed by the Minister of Labor reported on Great Britain's "black spots"—areas in the north of England, in Scotland and in South Wales which are in a particularly bad condition. On Nov. 14 the government named two noted industrialists to act as voluntary commissioners to direct the rehabilitation of those areas, and granted $10,000,000 to begin the work. The bill itself, introduced shortly afterward, defined the scheme.

The work of the commissioners will be supplementary to, not a substitute for, other State activities. Experiments in subsistence production by groups or colonies of men working cooperatively may be undertaken; derelict sites may be cleared; river fronts may be cleaned up. The commissioners have the power to acquire

land compulsorily for land settlement, and may suggest or assist the movement of population to areas in which work may be found.

Other legislation taken up before the Christmas recess included the British Shipping (Assistance) Bill and the Electricity (Supply) Bill. The former, which passed the committee stage in the Commons on Dec. 20, authorizes a $10,000,000 direct subsidy to tramp shipping in order to combat the effects of reduced freights and foreign competition, and promises loans at special rates to shipowners who modernize their merchant fleets. On the same day the Electricity Bill (which had been accepted by the Lords in May, 1934) passed the Commons. It qualifies and amplifies the provisions of the Act of 1926 by which the Central Electricity Board was set up, and will hasten, according to its proponents, the electrification of the British railways.

THE INDIAN REFORMS

Slowly but irresistibly the scheme of Indian reform moves toward realization. Opponents in both Great Britain and India have protested in vain. The complete text of the bill based on the proposals issued by the Joint Select Committee in November was expected to come before Parliament before the end of January.

On Dec. 12 the House of Commons by a vote of 410 to 127 gave the government permission to introduce this bill. The House of Lords signified its approval a week later. Labor had moved that the measure be based on the alternative draft report of the Labor minority of the Joint Select Committee, which presented terms much more generous to India than had the majority report. But the Commons rejected this motion, as anticipated, the majority being the largest in the history of the present Parliament, and listened with no greater concern to the attack from the Right led by Winston Churchill. In the final division the government majority was confronted by the curious spectacle of Labor and the die-hard Conservatives standing together.

Defiance from India took the form of bitter editorials in the native press and solemn resolutions from party councils. Meeting jointly at Patna on Dec. 6 the Working Committee and the Parliamentary Board of the Congress party declared that the proposals were "in several respects worse than those contained in the White Paper" and "fraught with greater mis chief and danger than even the pres ent Constitution." A resolution of thi tenor will be moved in the Indian Leg islative Assembly, where Congres hopes by skillful appeals to variou factions to rally as many as 75 vote out of the total of 145. Liberal dissatisfaction was given expression by the Council of the Western India National Liberal Association, which declared on Dec. 9 that under the new scheme responsible self-government for India would be "almost entirely illusory."

More favorable judgments came from more conservative sources. In mid-December the conference of Ministers of Indian States, representing native States with a total population of about 30,000,000, declared that the Joint Select Committee's report "constitutes in many ways an advance on the White Paper proposals from the States' point of view, particularly the financial provisions," and that it should, with certain reservations, prove acceptable to the States.

BURMA AND THE REFORM

Since 1923 Burma has had a Constitution similar to those of the Indian

Provinces. Under the scheme of the Joint Select Committee, Burma would be left out of the Indian federation and given a bi-cameral Legislature of its own. An electorate numbering over 26 per cent of the population (instead of 16 per cent, as now) would choose the Lower House. Half the membership of the Upper House would be nominated by the Governor and half elected by the Lower House. Both chambers would be subject to dissolution by the Governor, and other "safeguards" reserved to him would be as great as, if not greater than, those reserved to the Governor-General of India.

Separation has long been demanded by Burmese nationalists, who claim that their country has contributed an undue share of revenue to the Indian treasury and has suffered from the competition of Indian immigrants for many years. They point out also that since Buddhism is almost universal in Burma, there is no communal problem; that "depressed classes" are unknown, and that in other respects, especially social, Burma differs from India. The proposed reforms do not satisfy the more extreme nationalists (who created such an uproar in the Legislative Council in Rangoon last Summer that the Council was prorogued), but since they at least acknowledge the need for a separate Burmese Government they are regarded by many as a first step in the direction of complete home rule.

ANGLO-IRISH TRADE PACT

Pressed by increasing difficulties at home, the Irish Free State has finally made a trade agreement with Great Britain. It was announced in London on Jan. 3 that 1,250,000 tons of United Kingdom coal will be exchanged annually for Irish cattle of corresponding value. This will mean employment for some 5,000 British coal miners and the raising of Irish fat cattle exports to Great Britain to two-thirds of the 1933 quantity.

Whether or not the new agreement foreshadows a general reconciliation between London and Dublin, it relieves the pressure exerted upon the de Valera government by discontented stock raisers and reverses the trend by which the two countries have drifted further and further apart. Beginning on Nov. 8, all British potato imports from the Free State were licensed; the same day Dublin reduced the imports of assembled motor cars from a normal figure of over 1,500 to 450. On Nov. 10 new high Irish duties were imposed on toilet preparations and certain metal products, and on Dec. 27 coal imports into Ireland were placed under license.

Simultaneously, one of Great Britain's chief terrors—friendship between the Free State and Germany—once more stalked abroad. Mr. de Valera had sent a trade delegation to Berlin during the Autumn, and on Dec. 17 a German delegation had arrived in Dublin to continue negotiations. About a month before, a reputable British lawyer had declared that German ships were unloading mysterious cases at Irish ports and that in all probability Free State territory would be placed at Germany's disposal as an aviation base against Great Britain.

The cattle-raising industry, in the meantime, was causing Mr. de Valera trouble. Fresh from his struggle with those farmers who refused to pay land annuities because their exports to Great Britain had been cut down, he had attempted to relieve the depressed beef market by distributing free meat to the unemployed and destitute. This scheme, which went into effect on Nov. 26, was financed by the government's paying a subsidy

to butchers and fixing a minimum price which butchers and exporters were to pay to producers. The needy were undoubtedly benefited, but ordinary purchasers were forced to pay higher prices for their own supplies while contributing to the assistance of the poor. "Outside bedlam," observed the *Irish Times*, "there was never a crazier scheme."

The new trade agreement, therefore, will relieve the situation at home as well as pacify Great Britain. But on another score the Free State bluntly asserted its independence of London. By a complex and somewhat mystifying measure passed by the Dail on Dec. 19, Great Britain becomes a "foreign" country, and no Irish citizen is any longer, under Irish law, a British subject. The anomaly arises in that Free State citizens will apparently continue to travel abroad with British passports and be entitled to the protection and privileges of British subjects. London contends that the Free State has every right to define Free State citizenship, but cannot deprive a person of his status as a British subject.

In domestic affairs, Mr. de Valera and the Fianna Fail have strengthened their position. Early in December General O'Duffy and Patrick Belton, driven out of the United Ireland party, announced their determination to form a new Opposition group, but no progress in this regard was reported during later weeks. Meeting in Dublin in mid-November the Fianna Fail congress unanimously re-elected de Valera to the party presidency, and on Dec. 4 the party gained seven seats in the triennial elections to the Free State Senate. Thus fortified, Mr. de Valera may choose not to abolish that body, as provided in the bill which, despite the Senate's veto, will become effective within a year or so. A genuine Opposition, however, still exists. Early in December Westropp Bennett was re-elected chairman of the Senate, the Opposition gaining its success when Sir William Hickie, then presiding, cast a deciding vote in his favor.

AUSTRALIAN TARIFF CHANGES

A new customs schedule, based on the reports of the Australian Tariff Board, was introduced in the Commonwealth House of Representatives on Dec. 6. This was the government's solution of the paramount problem in national politics and its attempt to allay the ill-feeling that has characterized recent British-Australian relations. The task at hand was of course nearly impossible; magic alone could satisfy both Australian manufacturers eager to increase their business at the expense of all overseas competitors and British manufacturers seeking to maintain or improve their position in Australia.

The new tariff schedule provides 104 reductions and eleven increases on British goods entering Australia, and 101 reductions and fifteen increases on goods from other countries. Lancashire could hardly be pleased by the large increases on certain cotton products, although the rates on others were reduced. British observers declared that the reductions were illusory.

By the admission of the Tariff Board, the new rates are "adequately protective" under existing exchange conditions. A proviso applied to every British preferential item rules that if exchange falls below the ratio of £125 Australian to £120 sterling the duty will be raised as the exchange rate falls. Thus Australia places on a permanent basis the 25 per cent protection that Australian producers and manufacturers enjoy irrespective of customs duties.

The French Crisis Deepens

By E. FRANCIS BROWN

DESPITE the deepening economic crisis and the continued evidence of civil dissension, France in the closing weeks of 1934 found reason to believe that the time of troubles had passed. Even when viewed superficially, all was far from serene, but the general trend seemed better. For the first time in several years the republic had a government which was ready and able to govern. Parliament, somewhat awed by this unfamiliar sort of Ministry, had begun to function with unaccustomed rapidity. Premier Flandin, moreover, promised that he would shortly make a drive for certain long-needed judicial and governmental reforms. These signs of energy at least gave Frenchmen confidence in the future.

In a series of addresses after taking office Premier Flandin outlined the policy of his government. Economic recovery was the keynote, although political reform was not passed over. M. Flandin, an exponent of economic liberalism, has said that there is no other way of "combating the economic crisis and unemployment than the suppression of all artificially fixed prices, the prohibition of retail prices fixed by the manufacturer and the constant struggle against price-fixing accords and monopolies." At the same time he believes in reducing "the tax burden which in many cases doubles the price to the consumer." The Premier's economic philosophy leads him also to support the classic principles of deflation and a balanced budget.

Though the Ministry's program remained vague, sufficient legislation was pushed through Parliament to indicate the line M. Flandin was following. In the course of a few weeks the budget, which often takes months to pass, was voted as well as the government's controversial wheat and wine bills. As usual the French budget will be out of balance, though the size of the deficit will depend upon the course of French business during 1935. In its final form the budget provided for expenditures of 47,817,000,000 francs and revenues of 46,992,000,000 francs. With deductions for various governmental economies, the estimated deficit was fixed at 517,000,000 francs. Abel Gardey, *rapporteur* of the budget and an expert on financial matters, told the Senate that declining revenues would undoubtedly cause a deficit of about 3,000,000,000 francs, an estimate supported by Joseph Caillaux. The deficit in 1934, when presumably the budget was balanced, was expected to reach 3,800,000,000 francs.

In the face of great opposition, the government's wheat bill passed the Chamber of Deputies on Dec. 13 by a vote of 387 to 175. During the debate, when it seemed that the bill might be amended out of all semblance to its original form, M. Flandin rose in the Chamber and insisted that the bill be passed as introduced. Otherwise, he said, the Chamber "takes the responsibility for having to go before the country." Such browbeating did nothing for the Premier's popularity with the Deputies, but it did save the important feature of his bill. The law

provides for government purchase and disposal of the existing wheat surplus, financed by a growers' and millers' tax. The guaranteed minimum price of wheat is to be maintained at least until July, 1935, when it is hoped that the disappearance of the surplus will permit the return of a free market.

Two days after the passage of the wheat bill a similar law affecting the wine industry was passed. The law includes provisions for the restriction of local wine sales and for the partial destruction of inferior vineyards.

Since the price of bread has been based on the legal price of wheat, even though this legal price has not been observed in practice, enactment of the Wheat Law opened the way to reduce the price of bread. On Dec. 28 it was announced that reduction would take place in Paris immediately, and in other cities within a few days. Because bread is so large an item in French diet, any lowering of its price represents an important attack on the cost of living.

Premier Flandin's success with the first portion of his legislative program may have renewed confidence in democratic government, but it could not hide the seriousness of the economic crisis. This was dramatized in December by the collapse of the great automobile company, the Société André Citroen. For months it had been known to be in difficulties, but this knowledge did not diminish the sensation caused by its going into receivership. The company—its head has been regarded as the Henry Ford of France—produces about 35 per cent of all French automobiles and employs, even in bad times, about 20,000 workers.

The Citroen failure affected many institutions and individuals. French banks were deeply involved, and as the stock of the company is held widely among the investing public, many individuals suffered. Shares issued at 500 francs reached 2,140 in 1929, but on Dec. 21, the day the company was placed in receivership, had dropped to 53½. Pierre Michelin of the Michelin Tire Company, the largest Citroen creditor, it was believed, desired to obtain control of the automobile company. Because of the company's exceedingly complicated affairs, its exact condition was uncertain. A balance sheet published on Dec. 22 showed that the loss for the fiscal year ended June 30, 1934, was 83,000,000 francs, and for the first quarter of the present fiscal year 57,500,000 francs.

Less dramatic, but no less important than the Citroen collapse, was the steady succession of statistics that revealed the unhealthy state of French business. Foreign trade, for example, has sagged continually. When compared with the same period in 1933, exports for the first eleven months of 1934 dropped 3.5 per cent and imports 19 per cent. Though there were slight gains in November, 1934, over October, the total for the month of both imports and exports was below November, 1933, As French prices are estimated to be 25 to 30 per cent higher than world prices, the shrinkage in foreign trade is understandable. The loss in imports, mostly in food and raw materials, indicates a decline in purchasing power as well as in French industrial activity.

Unemployment in France has steadily mounted. For the week ended Dec. 8 the official figure was 384,841, an increase of 115,223 over the corresponding week of 1933; by the end of the year the total was 419,129. These figures, though not large to Americans, are unprecedented in France. Even more disturbing was the report that bankruptcies had

reached an all-time high. Meanwhile railway deficits grew and carloadings declined. Industrial production cannot seem to halt the downward trend, the index having dropped from 106 at the beginning of 1934 to 94 at the end of October. The index of stock prices on the Paris Bourse fell from 220 in January, 1934, to 173 at the end of the year. Hoarding, it is reported, has been growing and now amounts to an estimated total of 40,000,000,000 francs. Although the Bank of France tended to lose gold, the operations of the British Exchange Equalization Fund did not permit the loss to become serious.

Though the danger of civil disorder receded after the Flandin Ministry came to power, it has not yet disappeared. The government, however, has sponsored bills to curb street demonstrations and to regulate the sale and possession of firearms. News that a bill empowering the government to dissolve Fascist organizations will be before Parliament at its regular 1935 session led these groups to declare that if necessary they would become secret organizations, "acting with the special means of secret associations."

Temporarily demonstrations have died down, and yet the National Front, representing the Right, and the Common Front, representing the Left, are known to be secretly preparing to struggle for power. Outside both the Common Front and the National Front is the Croix de Feu, a veterans' organization which sympathizes with Fascist philosophy. An executive of the National Front told an American correspondent: "We feel sure that if a danger arises for France the Croix de Feu will be with us in the streets. It has 42,000 active members, well disciplined, blindly obedient to its chiefs. * * * Our chief strength is in our discipline. The men are led by officers who know how to command. The majority are young, physically fit for action."

Gaston Bergery, a former Radical-Socialist Deputy and now an organizer of the Common Front, has said: "We are not ready for the battle yet. The Nationalists are far stronger, they are disciplined and trained; our men are scattered and unarmed. * * * I am trying to make my comrades understand that since we shall have to fight some day, we ought to train our troops. Yet so far hardly anything has been done in this direction."

The division of public sentiment which the existence of these organizations indicates would at no time be regarded as healthy. When to this is added the emotional instability induced by hard times, the way is cleared for all manner of demonstrations and disorders. To stave off these at the same time that a controversial program is being pushed through Parliament will tax all the ingenuity of Premier Flandin and his fellow Ministers. No matter how skillful the manoeuvring, it is bound to fail unless in the meantime France experiences some measure of economic recovery.

BELGIAN FINANCIAL TROUBLES

Belgium's big-business government wrestled throughout December with the continuing economic crisis. Despite apparently well-founded rumors that devaluation of the currency was becoming increasingly popular with financiers and industrialists, the Theunis Cabinet adhered to a deflationary policy and a defense of the gold standard.

In the Ministerial declaration to Parliament, M. Theunis said that his government's chief effort would be directed toward assuring the stability

of the franc and the restoration of the national economy. Vague promises of unemployment relief and a lowered cost of living were also given by the Premier; yet his first speech to the Belgian Parliament permitted slight hope that the country would be led into new paths.

The new Cabinet immediately requested that the dictatorial powers conferred by Parliament on the previous Ministry be extended until the end of February. After some debate Parliament acceded. In the course of the following weeks the government adopted various measures calculated to relieve the strain on the financial situation.

Camille Gutt, Minister of Finance, went to Paris on Dec. 12 to confer with the French Finance Minister. Officially his purpose was to arrange for the conversion of the French 6 per cent 1923 loan to Belgium, 300,000,000 francs of which is due on Feb. 15. There could be little doubt, however, that M. Gutt appealed for French support of the belga which had been persistently weak on the exchange and the belga did recover after the purpose of the visit had been announced.

A few days earlier the Belgian Government obtained from a Dutch banking syndicate a 4 per cent loan of 1,000,000,000 francs to refund maturing treasury bills.

While these two loans strengthened the position of the belga, steps were taken to repair other parts of the financial structure. The savings banks, particularly those patronized by the peasants and the workers, have been embarrassed. To tide them over their present difficulties the government has borrowed 1,000,000,000 francs from the currency reserves. Strict regulation of those banks has also been inaugurated through the creation of a commission to supervise their investments. Since the cooperative enterprises carried on by both the Socialists and the Catholics were financially interested in the stability of the banks, the Deputies of those parties gave their support to the measure against Liberal opposition.

Whether or not it is possible to balance the Belgian budget is debatable, but the Theunis Cabinet is paring expenses to the bone for that purpose. All pensions and salaries of public employes have been cut 5 per cent, while appropriations for unemployment relief have been reduced from 950,000,000 francs in 1934 to 600,000,000 for 1935. In partial compensation, however, temporary employment will be made availabale through a public works program. Various emergency decrees against profiteering in foodstuffs will also, it is hoped, prevent the cuts in salaries and dole payments from bearing too harshly on the Belgian masses.

None of these measures goes to the root of Belgian difficulties which are directly due to the world-wide depression. In this regard it is worth noting that Belgians anticipate some business improvement from the reciprocal trade treaty proposed by the United States. Unless some such arrangement is devised to restore Belgium's all-important exports, it is doubtful whether the country can long adhere to the gold standard. This conclusion is enforced by all surveys of Belgian conditions and by the public declarations of Premier Theunis himself.

Germany's Economic Outlook

By SIDNEY B. FAY
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GERMANY'S economic situation at the end of 1934 was better than most of her critics predicted, and even better than many Germans expected. Analyses of development during the year were mostly favorable in so far as they concerned public finance, credit, industry and domestic trade, but unfavorable with respect to foreign trade, currency reserves, the balance of foreign payments and the service of foreign debts.

This grouping of favorable and unfavorable elements coincides with the official German view that domestic affairs are freely determined by an able and farsighted Nazi government. International economic relations, on the other hand, are hindered, it is said, by "foreign blunderings and malevolence." In reality the distinction is artificial. While the State's credit, currency, tariff and price measures have undoubtedly aided in restoring production and improving the labor market, and consequently in increasing the tax yield, these measures were due to an excess of exports over imports and to foreign interest obligations, with the resultant depletion of the Reichsbank's reserves and the inability to pay debts abroad.

Figures at the close of the year showed that Germany was holding her own or even making a slight improvement. The foreign trade balance for November, thanks to Dr. Schacht's rigid control measures, ended with another export surplus amounting to 10,000,000 marks, as compared with a surplus of 16,400,000 marks in October and a steadily unfavorable balance in the preceding months. The Reichsbank's gold reserve stood at 78,760,000 marks on Dec. 21, with a ratio to circulation of 2.23 per cent, compared with a low point on June 30, 1934, of 70,000,000 marks—a ratio of 2.0 per cent.

The decline of unemployment, to be sure, has been much slower than in 1933, but that is natural as a rapid reduction in unemployment is easier when the number of unemployed is large. When Hitler took control in January, 1933, about 6,000,000 were out of work. Though the number increased by 86,000 during November, this was the first month to show an increase under Nazi rule and brought the official total to 2,354,000, slightly more than a third of what it had been at the end of January, 1933. The November increase was in accordance with the usual seasonal tendency in out-of-door occupations. The increase was kept down in part by giving 16,000 emergency relief employment, which in recent months had been steadily reduced.

When 1934 is compared with 1933 the pace of industrial recovery seems slower and less uniform than in 1933, largely because of the setbacks in some branches of consumers' goods and the restrictions on raw material imports. But the improvement in retail trade was greater, the Christmas trade of 1934 being much better than that of 1933. This improvement re-

flected a continuing increase in national income from salaries and wages. In the third quarter of 1934 such earnings were estimated at 7,600,000,000 marks—the level of early 1931. The increase in total earned income, however, was less than the increase in the number of earning persons. Christmas business was reported as relatively most active in agricultural centres. This agreed with the official statement that greatest wage increases were in rural regions.

While wages and salaries went up, taxes and the cost of living also rose, and probably at a more rapid rate, so that the workers had no more or even less to spend. But the funds were more equally distributed. There were fewer rich or even well-to-do. The *Frankfurter Zeitung*, comparing German domestic prices at the end of 1934 with international prices for eleven important food products, found that the smallest disparity to Germany's disadvantage was about 100 per cent, whereas some German prices were three and even four times the foreign prices. The average price for all eleven products in Germany was 260 per cent of the world market average. Dr. Goerdeler, Reich Commissioner for Prices, was attempting with dictatorial powers to fix prices at levels fair to both producers and consumers. Early in December he annulled as unfair the higher prices fixed for fish by the Reich Nourishment Corporation. This was his first price annulment, and was significant of his great power, as the Nourishment Corporation had hitherto exercised autonomous price-fixing powers over foodstuffs.

The most important fact about German economic life at the close of 1934 was its strict regimentation. No one could engage in a new business without special government permission; prices were controlled, profits limited, supplies regulated and output largely determined by government authority—and this meant Dr. Schacht, the economic dictator and President of the Reichsbank, or Dr. Goerdeler, Reich Commissioner for Prices. The situation may be temporary, or it may the basis of a new social order. From the viewpoint of the world at large the system is not healthy but it is helping Germany through a period of economic crisis, and has therefore been stoically accepted by Germans.

While Germany was thus slowly recovering, there was no reason to expect that the recovery would be sufficient to affect Germany's ability to pay foreign obligations. The limited and discriminatory service on the Dawes and Young Plan loans seemed likely to continue for countries, like the United States, which do not receive from Germany more goods than they send her.

After a considerable shake-up in the directorate of the Hamburg-American and North German Lloyd shipping companies, it was announced early in December that the union between them which was brought about in 1930 was to be dissolved. These two great German shipping companies operated 70 per cent of the entire German mercantile marine. Herr Essberger, speaking on behalf of the Minister of Communications, explained that the 1930 amalgamation of the two companies had not fulfilled expectations. Experience has shown that these vast shipping concerns are less able to weather storm and stress than well-founded smaller ones. German tonnage, Herr Essberger said, had declined from 4,200,000 tons before 1930 to 3,400,000, or one-twentieth of the world's tonnage. While the two main companies will be continued, five

smaller companies will be created, mainly to take charge of freight and tramp service, in the hope of winning back trade which has been lost by Bremen and Hamburg. The first large merchant vessel built under the National Socialist régime, the 18,000-ton North German Lloyd steamer Scharnhorst, was launched at Bremen on Dec. 14. The new vessel is to be placed in the Far Eastern service.

GERMAN POOR RELIEF

"No one shall suffer from cold or hunger in Germany!" was the watchword which Chancellor Hitler gave out in October, 1934, when renewing the so-called "Winter Help Work." In the preceding Winter of 1933-34 this organization collected nearly 400,000,000 marks for the aid of the poor in Germany, in addition to large quantities of coal, clothing, potatoes and other food. It employed many thousand voluntary workers and gave aid of some kind to 18,000,000 persons. During the Winter of 1934-35 the Nazi government aims to surpass the aid given during the preceding Winter, in order to show the solidarity of the whole German people and to make it clear that the Nazi régime is solicitous for the poor.

The collection of funds for the Winter Help Work takes several forms. Beginning with the first Sunday in October, and continuing on the first Sunday in every month through March, there is a compulsory "one-dish meal." This may be eaten either at home or in a restaurant, but in no case is the meal to consist of more than one dish with meat before 5 P. M. It is not to be of more than 50 pfennigs in value, and the difference in cost between this and the regular normal meal is turned in to swell the Winter Help Fund.

Another form of collection is the system of "voluntary" contributions from industrial and commercial firms. Presumably it is good business to contribute generously to the welfare work so emphatically endorsed by the Fuehrer and his Nazi associates.

The most conspicuous form of raising funds, however, is by solicitation on the streets. As a further emphasis to the campaign, Dec. 8 was proclaimed the "Day of National Solidarity." On that day between 5 and 7:30 P. M. all the highest functionaries in Berlin took tin boxes and solicited contributions on the streets of the capital. Dr. Goebbels and his wife were the main drawing cards in the neighborhood of the Potsdamer Platz. General Goering, Dr. Salm, Mayor of Berlin and probably the tallest man in the city, and Dr. Otto Meissner, chief of Chancellor Hitler's Ministry, reaped large hauls on Unter den Linden. The largest net was cast by Dr. Schacht, who was assigned to canvass the Stock Exchange; here notes of large denominations flowed into his box, and each contribution was acknowledged with a Hitler salute. Prominent officials in the rest of Germany conducted a similar campaign. This single day's work netted the Winter Help Fund 3,500,000 marks, or about $1,344,000.

CHANGES IN PERSONNEL

Though the triumvirate of Hitler, Goebbels and Goering remains in power, with great authority in technical economics delegated to Schacht and Goerdeler, a number of leaders of the second rank disappeared from office during the last days of 1934. Count Ruediger von der Goltz resigned his duties as Economic Commissar early in December. He said he had accomplished the task for which he was appointed, but it was commonly believed that he was forced out because he was opposed to Chancellor Hitler's decree

which turned the functions and property of the labor organizations over to the German Labor Front.

Dr. Gottfried Feder was relegated to the retired list. He had achieved fame as the author of the "unalterable" twenty-five points which constituted the original Nazi program of 1921 and stood for radical economic reform, including autarchy, the abolition of "interest slavery," nationalization of the banks and in general the ideology of "blood and the soil." Much of this program has been quietly discarded, and as points have been dropped Dr. Feder has descended to less important posts. From being Adolf Hitler's chief adviser in economic matters before 1933 he became in turn Under-Secretary to Dr. Schmitt in the Ministry of Economics, Commissioner for Suburban Land Settlement and a professor; he was finally retired altogether.

At the opposite wing from Dr. Feder in economic thinking were two famous industrialists who have also retired from active office under the Nazi régime. Dr. Krupp von Bohlen und Halbach resigned as head of the Reich Estate of German Industry in order to devote more of his time to the management of the great Krupp iron and steel works. His place was temporarily filled by Herr Albert Voegler, the head of the German Steel Trust. Herr Fritz Thyssen, who helped finance the Nazi movement into power, has gone to South America on "a prolonged inspection of his South American interests."

These changes were probably related to the increased powers that have been acquired by Dr. Schacht, Dr. Goerdeler and Dr. Robert Ley, the chief of the German Labor Front. Dr. Ley, in a leading article in the *Voelkische Beobachter* on Jan. 1, 1935, virtually erased one of the cardinal twenty-five points of the original Nazi program. He said: "I feel called upon to take issue with the idea of the organization of estates as it is found in Professor Ottmar Spann's teachings, in the Italian corporation system, in the Austrian estates system and in the demand for 'organic reconstruction' found in the twenty-fifth point of the National Socialist party program and as it has been at least in part realized in the Labor Front."

In an effort to clean up moral conditions in public baths and fashionable bars in the West End section of Berlin the secret police carried out a number of raids early in December. The government declared that the arrests had no political significance.

GERMAN MUSIC TODAY

Music during the past two years has suffered greatly in Germany because of the anti-Semitic campaign which has forced so many artists out of the country and condemned the music of Jewish composers, even of Mendelssohn. On Dec. 4 Dr. Wilhelm Furtwaengler, the most distinguished conductor in Germany, resigned his positions as deputy president of the Reich Chamber of Music, director of the Berlin State Opera and conductor of the Berlin Philharmonic Orchestra. Dr. Furtwaengler had long been criticized by friends of music who had left Germany for continuing in his post. The immediate cause of his resignation was a Nazi press attack upon him because of his courageous and judicial defense of the famous modernist composer, Hindemith.

Herr Hindemith had for some time been a target. It was alleged that he had Jewish blood, that he had played in a quartet two members of which were Jews; that he had made phonograph records with Jewish musicians,

and that he had composed operas to objectionable librettoes. Dr. Furtwaengler defended Hindemith in a long letter to the *Deutsche Allgemeine Zeitung,* contending that whether one liked Hindemith's music or not he was an eminent composer and that it was an unjustifiable act of "political denunciation" to attack him for his association with Jewish musicians. A war of words between the musical critics who supported or denounced Hindemith resulted. The merits of his music tended to be lost sight of beneath the question of his personal attitude toward the recent events of history.

Instead of silencing the attack on Hindemith, Dr. Furtwaengler's letter of defense turned the attack against himself. It became so unbearable that he decided to resign his positions.

AUSTRO-GERMAN RELATIONS

Austria's relations with Germany had somewhat improved by the opening of the new year. On Dec. 2, 1934, the Vienna press censor issued a secret order that in the future no Austrian newspaper should publish any information concerning German rearmament, and that no comments, unless pro-German, should be made on the Saar question. The next day the clerical *Reichspost,* which had maintained a steady propaganda against German interests in the Saar, swung around completely in an article which declared: "The Saar is German and belongs to the Reich. This fact is so indisputable that the vast majority of Frenchmen never doubted it in earnest." It styled the 1919 Saar settlement "a disorderly achievement of the dictated peace drawn up under the influence of war mentality" and termed the reacquisition of the Saar by Germany "a return to the natural, just and reasonable order."

It was also announced that 167 branches of the German Gymnastic Association had been allowed to reopen in Austria. This body was one of the chief channels through which German Nazi propaganda had been carried on. These facts and the mysterious arrival in Vienna on the same day of two diplomatic agents from Berlin gave rise to rumors that some secret understanding had been reached between the two German powers—that Austria's favorable attitude toward the Saar question was accompanied by a promise of Germany's renunciation of designs on Austria, and by a promise on Austria's part that she would recognize Germany's right to rearm if she returned to the League of Nations.

Franz von Papen, German Minister to Austria, has arranged for an exchange of Austrian milk and cheese for German coal. On Dec. 15 the Tyrol began to ship 7,500 gallons of milk daily into Germany, to be paid for by importations of German coal. On a similar basis it was agreed that Germany would take seventeen carloads of cheese immediately, to be followed by later shipments in return for more coal.

By special agreement with Chancellor Schuschnigg, an open revival of Nazi anti-Semitic propaganda in Austria was permitted by the publication of a new anti-Jewish newspaper, the *Deutsche Arbeiter Presse,* edited by Dr. Walter Riehl. This caused jubilation among the Nazis and consternation among those who believed that the policy of the late Chancellor Dollfuss and his successors was to build up a bulwark in Europe against Nazi doctrines.

On the other hand, the Austrian decree banning the circulation of all German newspapers was extended for three months after its expiration on

Dec. 12, thus frustrating one of Herr von Papen's aims. In the latter part of December many Nazis were arrested in various parts of Austria on suspicion of conspiring against the Schuschnigg government.

Austrian Nazis who went to Germany with the purpose of supporting the putsch against Chancellor Dollfuss last July caused some trouble in Germany. These Austrian legionaries, who were supposed to have been disarmed and dispersed by the Hitler government and who originally numbered some 30,000, had been mostly sent to North Germany. But on Dec. 26 some 150 of them were involved in a serious clash with Bavarian Nazis at Fuerth and at Aibling, not far from the Austrian frontier. One man was killed and nine severely injured.

Statistics published early in December showed the total punishments inflicted on the Social Democrats in connection with the February fighting and on the Nazis who took part in the putsch against Dr. Dollfuss. Socialists accused of being involved in the February civil war numbered 1,182. Eleven were hanged and the rest were sentenced to a total of 1,339 years' imprisonment. After the futile attack on the Dollfuss régime and the July civil war there were 246 trials, in which 752 Nazis were accused. Of these 31 were sentenced to death and 13 of this number were hanged; 12 received commutation of sentences, and decisions in the cases of 6 were still pending; 42 were sentenced to life imprisonment. On the rest of the accused, sentences totaling 1,967 years were imposed.

President Miklas included in his Christmas amnesty 170 political prisoners—mostly Socialists and Nazis; 2,000 investigations into criminal cases pending against political opponents of the present régime were also canceled. The President stated that the calm prevailing in the country justified the large amnesty, but at the same time he stated that if any subversive movement should become imminent the government would again take severe measures against its political opponents.

During December, Dr. Karl Buresch, the Austrian Minister of Finance, arranged for the conversion of Austria's international loan of 1923, amounting to about $120,000,000, from a 7 per cent rate to a new loan for twenty-five years at 4½ per cent. The Austrian short-term indebtedness was so much reduced that the Standstill Agreement was also terminated. According to an announcement from Washington on Dec. 21, Austria has been removed from the ranks of debt-defaulting nations, thus making possible the sale of Austrian securities in the United States.

Austria had a deficit of 110,000,000 schillings for the first ten months of 1934, as compared with 82,000,000 for the same period of 1933. Expenditures for national defense and public security were increased by 52,000,000 schillings. It was hoped, however, that the saving effected by the conversion of the League of Nations international loan and improved economic conditions would make possible the balancing of the budget in 1935. Austria's balance of trade became less unfavorable during 1934. The excess of imports over exports, which amounted to 1,000,000,000 schillings in 1929, to 613,000,000 in 1932, and to 376,000,000 in 1933, was reduced during 1934 to less than 300,000,000 schillings. The national bank increased its gold holdings during 1934 by 53,000,000 schillings; its holdings of foreign exchange rose from 13,000,000 to 45,000,000 schillings. The note circulation remained unchanged.

Italy's Battle for the Lira

By William E. Lingelbach
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The mobilization of all Italian foreign credits was ordered on Dec. 8 following a Cabinet Council at which Premier Mussolini presided. This action was taken as part of a determined effort to steady the lira and maintain the gold standard.

Heavy withdrawals of gold on foreign account during the past twelve months, because of the unfavorable trade balance, increased so rapidly in November and early December that the lira fell to its low point for the depression. The Bank of Italy lost about 1,000,000,000 lire of its gold reserve during the year in addition to a drop of 250,000 lire in foreign exchange holdings. Italy was further embarrassed by her inability to draw on her substantial international credit balance because of exchange restrictions in other countries. As a result the accelerated withdrawals of gold at the beginning of December seriously threatened the gold parity of the lira.

Several drastic decrees were promulgated for the mobilization of foreign credits. All banks, corporations and other legally constituted financial bodies were ordered to turn over their foreign credits to the National Exchange Institute and, along with private citizens, declare to the Bank of Italy all foreign or Italian securities held by them, even if deposited abroad. The government also assumed the right to dispose of these foreign credits at current quotations should the demand for gold make such a step desirable.

Tourists and other foreigners in Italy were unable to get lire on letters of credit, drafts and travelers' checks until Finance Minister Guido Jung issued a special order releasing funds for the purpose.

Heavy penalties for infringement of the regulations, even to the extent of exile to the penal islands, are provided. Criticism of the government's financial policy or speculation in lire by Fascists will be punished, according to an order of Achille Starace, by expulsion from the party. These measures ended the storm of disapproval in Italy itself, but they could not still the criticism abroad, where the decrees are generally regarded as dangerous, ill-advised and perilously near to indirect repudiation of the gold standard.

The government's action may indicate a change in the monetary and economic policies of Italy. Early in December Premier Mussolini hinted at such a possibility when the Bank of Italy raised its rediscount rate from 3 to 4 per cent. A decree of Dec. 19 applied the principle of the earlier decrees to all payments abroad and to the taking of money out of the country. Persons leaving Italy are restricted to 2,000 lire in denominations of 100 lire or less.

The militarization of the Italian population was carried a step further during December by the reorganization along military lines of all government employes. The upper group of the hierarchy is organized in three

divisions on the basis of previous academic or practical training, and all wear the special insignia of their rank. Under the leadership of General Grazioli, the national inspector of military instruction, and with the cooperation of the Fascist militia, a vigorous propaganda to make Italians military minded was inaugurated. A royal decree published in the *Official Gazette* in December prohibited the printing and publication of any information even remotely concerned with military matters. Without previous authorization by the censor, no report of the movement or disposition of troops, the fleet or air forces may be published.

The Italian merchant marine is being rebuilt in accordance with a comprehensive government plan. Close integration of merchant shipping with the navy is anticipated and replacement is specifically provided for ships trading between Italy and the ports of the Black Sea, the Eastern Mediterranean, Egypt and China. Three groups of vessels are to be constructed, ranging from 3,500 to 18,000 tons, with a speed of from seventeen to twenty-five knots. The faster vessels are designed particularly to meet foreign competition in trade with the Far East. These plans, coupled with the intense activity in the development of the air force and the laying down of the keels for two 35,000-ton superdreadnaughts, indicate a determination to back up national policies by force at sea as well as on land.

The Corporations of the Industrial Workers have adopted a forty-hour week to absorb chronic unemployment. The Corporative State is also developing a scheme of social insurance for those workers on whom the hardships of the shorter working week fall. This plan provides for a contribution of 1 per cent of the weekly wage by all industrial workers and an equal amount by the employers.

Pope Pius on Dec. 31 proclaimed a virtual dictatorship for all civil affairs in the Vatican State. The decree invests Marquis Serafini with absolute legislative powers for a period of six months. According to the official organ, *Osservatore Romano*, the Pope confers upon the Marquis Serafini not only the power to reorganize the civil and administrative offices but to modify the civil Constitution along the lines laid down in the papal decree. The explanation is found in the fact that the vast work of the papal State calls for a thorough modernization of the civil departments.

THE REACTION IN SPAIN

Restoration of law and order and the liquidation of the recent rebellion continued to occupy the attention of the Spanish Government during December. The state of siege which expired on Dec. 7 was renewed for another month. Effective opposition in the Cortes does not exist. The parties of the Left are not only completely outnumbered, but discredited. About forty Deputies under the leadership of Señor Maura and ex-Minister Martinez-Barrios took their seats in the Assembly, but an almost equal number of Moderate Socialists, following the lead of Ferdinando de los Rios, continued to absent themselves. The other Socialist Deputies, some twenty or more, were either in prison or in exile. Among the former were ex-Premier Azaña and the energetic Socialist leader, Caballero, while among those in exile was the fiery ex-Minister of Justice, Andalecio Prieto.

In Catalonia a Commissioner General, assisted by an Advisory Council, was given full control of affairs for three months. All administrative poli-

cies for Catalonia are being directed from Madrid. Separatists and Liberal elements have been ruthlessly suppressed, and many intellectuals are under arrest, awaiting trial. Liberty of speech and of the press was suspended, heavy fines were imposed on editors and journals, while raids and arrests by the police continued during the month.

When the Tribunal of Constitutional Guarantees decided that it had jurisdiction to try President Companys and other members of the Catalan Government, a member of the tribunal was sent to Barcelona to collect evidence for the government's side of the case. Ex-Premier Azaña's request for provisional release was refused despite a declaration that he had strongly opposed the separatist revolt both because he believed it would injure the autonomy statute of which he was the author and because, as a Castilian, he was not in favor of a federal republic. The protest of intellectuals against his arrest and detention without the presentation of definite charges was suppressed by the censor, while the Cortes ordered the public prosecutor to bring the ex-Premier to trial on the charge of having taken part in the uprising. But the Supreme Court on Dec. 28 decided that there was not sufficient evidence for an indictment and ordered his release. Meanwhile the establishment of concentration camps was being considered.

In Asturias the work of repairing the recent devastation has been started with emergency appropriation voted by the Cortes. The new Governor General, Don Onofre Sastre, has announced the partial reopening of the mines under the protection of the civil guards, more extensive reopening being purposely delayed until the authorities are assured that the miners are completely disarmed. Ramon Gonzales Pena, Socialist Deputy and leader of the uprising in Asturias, was discovered on Dec. 3 and arrested in the little Asturian town of Ablana. As the owner and editor of *El Avance,* he was the most effective and dangerous opponent of the government and the chief cause of the bitter resistance of the population of Asturias to the national forces. Forty others were arrested at the same time. The government now has strong hopes of recovering the remainder of some 40,000,000 pesetas taken from the Bank of Spain in Oviedo at the outbreak of the revolt. According to a recent official estimate, the property losses alone amounted to over 78,000,000 pesetas, not including the losses incurred as a result of the cessation of all economic life for a period of three weeks.

In the Cortes the most important question under consideration during December was agrarian reform. Minister of Agriculture Jimenez Fernandez repeatedly urged the need of speedy action, urgency being particularly necessary in the Province of Estramadura, where there are more than 35,000 impatient *yunteros*—agricultural workers with small establishments but without land. He stated that both the workers and the proprietors favored the bill providing for the gradual acquisition by the peasantry of the land they cultivated. The proposal of Gil Robles, the militant and youthful leader of the Catholic Agrarian bloc, to confer dictatorial powers in economic matters on the Prime Minister, with a view to balancing the budget and bringing about the necessary economic reforms, was unhesitatingly rejected by Premier Lerroux. In the meantime plans of the Monarchists and other extreme Rights to set up a Fascist corporate State made some headway and many Republicans expressed concern over

the possibility of a restoration of the monarchy.

PORTUGAL'S DICTATORSHIP

Premier Salazar, Portugal's civilian dictator, has not only accomplished remarkable financial and economic reforms, but for a year or more has been quietly paving the way for the establishment of a government which, he claims, will combine many phases of democracy with some of the features of the corporative State. The Constitution of 1933, which was endorsed by a plebiscite, will be replaced. According to the new plan, the President and the dictator will be assisted by two Assemblies, one to pass on legislation and the other to advise on economic matters. Both are to be chosen for four years, the first by direct election by heads of families, the other through a system of guild or syndical representation. Local government, too, is to be based on representatives of heads of families—men or women.

Only the National Union party, which is dominated by the government, submitted a list of candidates for the Assembly, Socialists and Republicans refusing to participate. A somewhat similar situation exists in regard to the second body, since labor has refused to join the unions organized by the government. For the present, therefore, the members will have to be appointed.

The Growth of a Balkan Entente

By FREDERIC A. OGG
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SPEAKING at the conclusion of the conference of the four members of Balkan Entente—Greece, Rumania, Yugoslavia and Turkey—at Ankara in November, Nicholas Titulescu, the Rumanian Foreign Minister, declared: "No longer will the intrigues and rivalries of the great powers be able to pit one of us against the other and thus plunge this part of the world into a war which means a greater conflagration than that of 1914." This assertion sounds extraordinarily optimistic; yet there can be no reasonable doubt that the Balkan Entente shows capacity for development into a new "great power," just as in effect has the considerably older Little Entente of Czechoslovakia, Yugoslavia and Rumania.

As the chief political problem in the Balkans is still the relation of Bulgaria to its neighbors, the Entente created by the pact of February, 1934, will remain incomplete so long as that State holds aloof. The Sofia government has so far shown little disposition to join. In the first place, each of the present members of the combination took territory from Bulgaria at the close of the World War; that in itself sets up a considerable barrier. In addition, the nation desires an outlet on the Aegean Sea, but the promise of an economic port with special transit facilities through Greece, without the cession of territory, has thus far not been met. After all, the four States that have affiliated had a good many interests in common when the league was formed. The real test of Balkan possibilities of cooperation will

rather be the ability of these States to draw into the circle a neighbor which has been at odds with all of them.

Of late, and chiefly under the inspiration of M. Titulescu, the governments of the Entente have adopted new tactics. Instead of pressing for Bulgaria's immediate adherence, they have begun to treat the country as if it were already a member. Psychologically, this is felt to be a wise move. If Bulgaria could be convinced that her neighbors were not arrayed against her, she might, it is suggested, relax her resistance and gradually become accustomed to considering herself a part of an all-inclusive Balkan family. One practical move of at least symbolic importance has been a recent agreement to install a ferryboat service across the Danube for trains between Bulgaria and Rumania.

NEW YUGOSLAV CABINET

Although the League settlement of the Yugoslav-Hungarian dispute was accepted by the Yugoslav press and public as satisfying Yugoslav claims, the affair stirred the country's politics deeply and led to a change of Cabinets. For a time it was believed that the deportation of Hungarians, commonly admitted after the event to have been a mistake, was the work of General Pera Zhivkovitch, Minister of War and former dictator. Subsequently, however, it became known that Premier Nikola Uzunovitch was responsible, with a view, it was charged, of embarrassing Foreign Minister Boske Yeftitch at Geneva.

Bad feeling had long existed between the Premier and the Foreign Minister. When M. Uzunovitch issued a communiqué upon M. Yeftitch's report of the League's handling of the dispute, he thanked Yugoslavia's foreign allies for their "magnificent support" but dismissed M. Yeftitch's part with the cold statement that his report had been "duly noted." After an indignant demand that the wording be modified was flatly refused, M. Yeftitch with one or two sympathetic colleagues resigned.

Since the assassination of King Alexander on Oct. 9, Prince Paul, leading member of the Regency, had favored the formation of a "national" government. The opportunity arose when the rupture caused by the Foreign Minister's defection led to the resignation of the entire Uzonovitch Cabinet. At noon on Dec. 19, M. Yeftitch accepted a commission to form a government on a broad national basis and immediately started conferences with political leaders, including the Slovene Father Anton Koroschetz. But there were difficulties. Several former members of Parliament refused to confer unless given guarantees of a return to the democratic Constitution, immediate freedom of the press, freedom of political discussion and a general election in the Spring. Many of those consulted declined to commit their parties, although this was out of line with the Prince Regent's ideal of a national concentration Cabinet.

As a result when the new Cabinet was finally formed on Dec. 21 there were only two former members of Parliament in it—Milan Stoyadinovitch as Finance Minister and M. Voyich as Minister of Railways—and even they were selected as experts rather than as representatives of their parties. Of the fourteen persons included nine were Serbs, one was a Moslem, three were Croats and one was a Slovene. Far from being an approach to the constitutionally minded government that had been hoped for, the group showed definite nationalist and Fascist tendencies. As

no member was more than fifty years old, it was aptly dubbed "a government of the younger generation."

Premier Yeftitch, who retained the Foreign Ministry, was credited with a desire to build a party of his own, drawn in no small part from former followers of ex-Premier Uzonovitch and based perhaps on a combination of Fascist groups which have recently united as the Yugoslav People's Movement. Meanwhile the new Ministry was expected to adhere to the policies of its predecessor and to continue to work with the existing sham Parliament. One of its first acts, however, was to grant a full pardon to the imprisoned Croat leader, Dr. Vladko Matchek. In some quarters this was construed as an evidence not only of the increasing influence of Prince Paul but of a desire of the new Ministry to approach the Croatian question in a conciliatory spirit.

POLAND'S FOREIGN POLICY

The reopening of the Polish Parliament early in December, after a recess since March, 1934, was the signal for a lively attack by all Opposition parties upon the government's foreign policy. Much concern was expressed over the alleged reticence of Colonel Beck, the Foreign Minister, and over the recent visit to Warsaw of Premier Goemboes of Hungary.

The general points of attack were: (1) Poland's steady drift toward Germany and away from France since the signing of the non-aggression pact of January, 1934; (2) the uncertainty surrounding Poland's relations with Czechoslovakia and Rumania; and (3) the decision announced at Geneva on Sept. 13, 1934, that the Polish Government would no longer cooperate with international bodies in carrying out the requirements of the minorities treaties. During the thirteen years since the conclusion of the Franco-Polish alliance there had never before been a concerted attack on the government's foreign policy, because it had been almost universally accepted that its essential basis was the maintenance of close relations with France. But so pronounced has been the new orientation in the direction of Germany that every Opposition party has been moved to deplore the danger of losing French protection and the risk of ultimate isolation.

Relations with Danzig have improved since the election of Dr. Hermann Rauschning as president of the Danzig Senate in June, 1933. His retirement from official life in November will, it is feared, retard this recent progress.

The signature on Dec. 6 of an agreement between the Polish and British coal industries, regulating export tonnage and prices for a minimum period of three years, was regarded as not only a happy event in itself, but also as a harbinger of a new general commercial treaty for which negotiations have for some time been in progress at London. Poland's trade with the United Kingdom has developed rapidly in recent years and British capital has shown a renewed interest in Polish investments, particularly in railroads and telephone services. The prospective trade treaty was reported in December to contain special privileges for British motor-car manufacturers. Its signature was expected to open an intensive campaign by the Polish Government for the motorization of the country.

POLISH FINANCES

The estimates for the fiscal year 1935-36 point to a deficit of 149,000,000 zlotys, but Treasury officials were correct in calling attention to the fact that in the estimated expenditures

was included 170,500,000 zlotys for capital investment of State monopolies and other State enterprises—railways, postal service, telegraph and telephone services, forests and so forth. Substantial financial returns from these undertakings are assured. In a true sense, Premier Kozlowski explained, the estimates of ordinary revenue and expenditure for the year are better than balanced, the nominal deficit arising only from the fact that the government is furthering capital investments which give employment and are financially profitable.

HUNGARY AND REVISIONISM

After the smoke of battle had lifted after the League Council's adroit settlement of the Yugoslav-Hungarian dispute in early December, one fact stood out sharply. While the conflict may not have been, as Foreign Minister Benes bluntly asserted, "essentially over revision," that issue was deeply involved. For years a major Hungarian objective has been to overhaul the Treaty of Trianon so as to restore to the kingless monarchy a large part of the territory lost at the close of the World War. In this policy Hungary had begun to receive substantial support from Italy, although France meanwhile made it clear that the possibility of an Italo-French rapprochement depended upon Italy's modifying her support of the revisionist enemies of the Little Entente. One of the direst results of the Yugoslav appeal to the League, and of the Council's handling of the case, was to drive a wedge between Hungary and Italy.

Whether anything has been settled for long is more doubtful. Hungary has in no sense given up her revisionist demands. "I am happy to be able to establish," declared Foreign Minister Koloman de Kanya on returning from Geneva to Budapest, "that our enemies did not succeed in forcing us to abandon our revisionist program." On the other hand, M. Benes, in a lecture at Prague on Dec. 15, reiterated that the aim of revisionism is to destroy the present status of Central Europe, and that its objectives cannot possibly be attained by peaceful methods. The battle at Geneva was won by the anti-revisionists, but the trench warfare of recent years has already been resumed.

A three-day series of significant conversations between Premier Julius Goemboes and Chancellor Kurt Schuschnigg was concluded on Dec. 15 with the announcement that Hungary had agreed, as have Great Britain, France and Italy, to support the independence of Austria. Previously, the Budapest authorities had steadfastly refused to give such assurances.

RUMANIAN AFFAIRS

King Carol on Dec. 3 formally received Mikhail Ostrovsky as the first Russian Minister to Rumania since Czarist days and was assured that the Soviet Union wishes to maintain "the happiest relations" with its neighbor on the south. The incident was generally construed as ending, in friendly fashion, the controversy over the possession of Bessarabia which dates from 1917, when the province renounced its union with Russia. Bessarabia later voted for annexation to Rumania.

Time and again that stormy petrel of Rumanian politics, Mme. Magda Lupescu, has been reported as finally separated from the King, only to reappear with him and to be found again taking an active hand in affairs. The latest manifestation of her continuing influence came in mid-December, when for a time a Cabinet crisis seemed not improbable. Following a dinner in Bucharest at which the King

and his favorite appeared together, Jon Antonescu, the Chief of Staff, upbraided his host for placing Mme. Antonescu at the same table with Mme. Lupescu. As a result the King's glamorous mistress caused Antonescu to be replaced by General Samsonivici.

This unexpected appointment produced an instant political explosion. The Opposition criticized not only the appointment itself but also the meddling of Mme. Lupescu, whom they claimed King Carol had promised to exclude from politics. To the attacks of political leaders in Parliament were added exhortations from Dowager Queen Marie, who from her self-imposed exile in Belgrade sent her son etters warning him not to put his ove for Mme. Lupescu above the safety of the dynasty.

The Rumanian State early in December won a suit of ten years' standing brought by 2,000 Hungarian civil servants living in Transylvania who were dismissed from their posts when Rumania at the close of the World War annexed that province. The officials contended that the Rumanian Government had no right to dismiss hem, in the face of a stipulation of he Treaty of Trianon that the rights of Hungarian minorities should be afeguarded. The mixed Hungarian-Rumanian court at Paris before which he matter came for adjudication decided, however, that dismissal or retention of the officials was a concern f the Rumanian Government alone nd not a question within the competence of the court.

On Dec. 5, the lawyers of Buchaest went on strike in protest against decree of the Ministry of Justice hich imposed a new and heavy tax n litigants. Courts presented a range spectacle with none but judges nd court officials present. Notwithstanding a promise of the government to rescind the obnoxious decree, the strikers voted to continue their resistance until a bill which they favored should have been passed by Parliament—a step, it was agreed, that could hardly be taken until after the Christmas recess.

A considerable furor was aroused early in December when the offices of the American-Rumanian Telephone Company were searched by police on the charge that representatives of the company were listening to conversations between high governmental officials with a view to learning State secrets. Senator Filipescu, president of the company, alleged that the government sought to injure him and that listening-in was only for reasons of technical efficiency. After two weeks, the matter was adjusted by an agreement that a military commission should be established permanently in the company's building to check listening-in activities.

BULGARIA'S DICTATORSHIP

In a recent summary, which was naturally one-sided, of the achievements of the Bulgarian dictatorship during its first six months, General Peter Midilov, Minister of the Interior, enumerated the following: (1) Complete vindication of the authority of the national government throughout the kingdom, including suppression of the Macedonian revolutionary organization; (2) reorganization of national, provincial and municipal administration, including a sharp reduction in the number of public officials, with a consequent saving to the taxpayers; (3) the launching of a surprisingly successful internal loan, enabling the State to clear off several past obligations and for the first time in years to pay its civil servants promptly; (4) promulgation and effective execu-

tion of a much-needed law for reducing peasant debts, and (5) reorganization of the country's banking system. No government, General Midilov further declared, ever had more support from the people, as well as from the army. "What the people want is not election excitement and stump speeches, but good government. That is why they approve of our régime."

The Bulgarian Government on Dec. 13 decided to confiscate all property, including buildings, stores and offices, belonging to the former political parties. Upon the establishment of the dictatorship last May, all such parties were forbidden to continue their activities, and were in effect dissolved. Their property, however, was left in the custody of former party leaders. As this arrangement apparently encouraged some of the parties to maintain a skeleton organization with a view to future activities, the Cabinet took drastic action.

Arrests of alleged Communists were numerous in December. Nineteen suspected students were apprehended on Dec. 9 at Tatar Pazardzik, and a week later 500 persons, including 175 soldiers, were gathered in at Haskova on charges of implication in a formidable "Red" conspiracy.

Since the Balkan wars of 1912-13, a standing source of friction between Bulgaria and Greece has been the annexation by the former of a magnificent forest area in the vicinity of Dorpat-Dag, which is owned or leased largely by citizens of Greece. Failing to obtain redress from Sofia for its dispossessed nationals, the Greek Government in 1930 carried the issue to Geneva. A former Swedish Foreign Minister, M. Unden, was appointed arbitrator, and his award under which Greece will receive about 14,000,000 levas has been accepted by both sides.

A GRECO-TURKISH RIFT

A rift in the new Greco-Turkish entente appeared in early December when the Ankara authorities refused to reconsider a new law forbidding the use of ecclesiastical garb within the bounds of the republic. The Holy Synod of Greek Bishops asked the Greek Government for permission to launch an international pan-Orthodox movement of Greek churches against the law. Premier Tsaldaris on Dec. 6 called an emergency council of party leaders to consider the situation. After the meeting, the Premier described the issue as one with "an ecclesiastical, sentimental, and political complexion," an observation generally interpreted in Athens as a diplomatic retreat by the government, although the Premier added that "Greco-Turkish friendship cannot develop on the present basis." The last vestige of governmental resistance to the law was regarded as having vanished when M. Venizelos on Dec. 9 openly supported Premier Tsaldaris's policy of inaction.

On the ground that outbreaks had been planned by sympathizers of both Eleutherios Venizelos and fourteen men accused of killing his chauffeur and wounding Mme. Venizelos, Minister of the Interior Chloros sought late in November to remove the trial of the fourteen from the former Premier's electoral district of Piraeus, and also to have it postponed indefinitely. After conferring with police and constabulary heads, court officials ruled that the trial should be reopened on Dec. 22. It was charged that the Tsaldaris government intended to throw the trial, which legally could not be held in Athens, into one of the near-by cities where jurors would be sympathetic toward the political affiliations of the accused.

Nazi Activities in Memel

By RALPH THOMPSON

FIVE Lithuanian officers of high rank made up the court-martial which recently began hearings at Kaunas in connection with the so-called Nazi threat to Memel. Accused of planning to seize for Germany the little area now under Lithuanian protection, 126 prisoners were placed on trial. Though the verdict was at this writing unknown, there was little doubt that most of the defendants would be found guilty.

Irredentist activity began as soon as Memel was handed over to Lithuania in 1923. As early as 1924, it is said, the German Government gave secret encouragement to all subversive movements there. But with the advent of Hitlerism the encouragement became open and unashamed, in accordance with the avowed aims of the National Socialist régime. When the two Nazi political groups in Memel—the Socialist Peoples party, led by Herr Neumann and the Christian Socialist Workers party, led by Pastor Sass—began to quarrel over matters of precedence, official Berlin acted as mediator. A German paper recently admitted this intervention, explaining that it had been altogether proper and that it was not an interference in Lithuanian domestic affairs.

Lithuania, of course, regarded the question otherwise. The existence of political groups under foreign control was to her intolerable, and a long list of "treasonable' acts made matters even worse. Move after move against the German elements was undertaken, and finally, in February, 1934, the two German groups were officially banned and a long series of arrests began. The Nazis thus rounded up were brought to trial on Dec. 14.

Since Lithuania is under emergency law, the trial was conducted before a military tribunal. Evidence heard during the first few days showed that two of the accused were German citizens and that others, although at present Lithuanian citizens, had been born in Germany. Pastor Sass, it was charged, had been born in East Prussia; Herr Neumann had served in the German Army.

The indictment, read on Dec. 17, accused the German Consulate General in Memel and the authorities on the German side of the frontier of inspiring and financing the treason. Germans, it was said, had been urged to become Lithuanian citizens for the time being, with the promise of restored German citizenship once Memel had been returned to the Reich. Shock troop battalions in East Prussia were said to be ready to invade Memel when the time was ripe, and numerous members of the Neumann and Sass parties were charged with membership in the German Storm Troops.

As the trial began, an extraordinary session of the Memel Diet was convoked. Governor Novakas explained that Nazi influence had so penetrated the territory that early in 1934 M. Schreiber had been dismissed as president of the Directorate. Schreiber's successor, M. Rejgis, the Governor continued, had been obliged

to resign because in two consecutive convocations the Diet had been without a quorum, and no vote of confidence had been obtainable.

M. Bruvelaitis, the most recent president of the Directorate, was no more successful. Charged with reconstituting the Memel government, he had early in December met with representatives of the German Farmers' party, and on Dec. 4 a new Directorate had been formed. But German propaganda had immediately begun to flow from radio stations across the border, and the Farmers' party decided to recall their nominees. The Lithuanian minority in the Diet, moreover, refused to take part in the assembly; they "would not sit with those who received instructions from abroad and were present not to do useful work but to render useful work impossible." When the Diet assembled on Dec. 13, therefore, only sixteen legislators were on hand. Since a quorum is twenty, the session was for the third time dissolved.

THE BALTIC ENTENTE

The first periodical conference of the Baltic Entente—comprising Estonia, Latvia and Lithuania—met at Tallinn on Nov. 30. Ratifications of the treaty signed at Geneva in September were exchanged, and full approval was given to the Franco-Russian idea of an Eastern Locarno. This move was significant because hitherto Lithuania alone had unreservedly backed the scheme; Latvia had approved in principle only, and Estonia had hesitated to express an opinion before learning what position would be taken by Germany and Poland. The three States reaffirmed their determination to act in concert on all relevant matters of foreign policy and to organize a common representation at the meetings of the League of Nations and at other international gatherings. More than this the official communiqué issued by the conferees did not divulge, although it was admitted that "all actual questions of European and Baltic politics" had been examined. The next meeting of the conference is scheduled to take place at Kaunas in April or May.

ESTONIAN DICTATORSHIP

Once more in the name of democracy the dictators of Estonia, Acting President Paets and General Laidoner, have tightened their hold on the State. Early in December the prolongation of martial law for another year was decreed, and on Dec. 15 were issued new rules regulating newspapers. The press may print no criticism of Cabinet measures and must display official news on the front page under headlines determined by the authorities.

The need for continued emergency rule was probably impressed upon the dictatorship by the escape from a Tallinn prison on Nov. 11 of Dr. Arthur Sirk, chief organizer of the League of Liberators. According to official reports, it was the Liberators who, by threatening to introduce a Fascist régime, necessitated the coup of March, 1934. On Dec. 5 Dr. Sirk appeared in Finland, having journeyed with his family across the Baltic in a small boat, and was warmly greeted by his followers in exile there. President Paets, probably anticipating renewed Liberator agitation, immediately decreed the formation of concentration camps throughout Estonia. Here citizens considered dangerous to the State may be held by the order of certain high government officials.

THE CONDITION OF SWEDEN

The end of 1934 is said to have marked the end of the depression in

Sweden. Unemployment during the year fell by almost one-half, and the State commission concerned with relief estimated its needs for the coming fiscal year at only 50,000,000 kronor ($12,500,000). The government-assisted unemployment insurance system voted early in 1934 has been put into effect in only one labor union—that of the garment industry—while foundry workers voted against accepting State aid for their own unemployment funds.

Government income for the first four months of the fiscal year, which began on July 1, increased 24 per cent, so that a budget surplus is now in prospect. The State-owned railroads, which were expected to pay in profits 12,000,000 kronor for the entire year, during the first four months alone paid 15,000,000 kronor. Wholesale prices have gradually advanced from 103.9 in April, 1933, to 115.1 in September, 1934, the last reporting date. On Aug. 31 private banks had loans totaling 3,811,000,000 kronor and deposits totaling 3,627,000,000 kronor—an abnormally low surplus of loans. The Central Bank is swollen with funds deposited by the private banks; private banks have cut interest on savings accounts to about 2 per cent. The Central Bank's rediscount rate has been lowered to 2½ per cent. Late in the year the country's last foreign loan was liquidated. Sweden's chief difficulty now seems to be to find safe investments for her idle money.

The Soviet Reign of Terror

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE campaign of revenge launched by the Soviet government after the assassination of S. M. Kirov in Leningrad on Dec. 1 continued throughout the month.

Within a few hours of the crime the Central Executive Committee revised the country's judicial procedure in a way that seemed to cancel all the gains in personal rights implied in the reform of the Ogpu last Spring. Political offenses were removed from the jurisdiction of the courts and placed in the hands of military tribunals. The police were limited to ten days in their preparation of charges against persons under arrest, and trials were held within twenty-four hours of the presentation of the indictment to the accused, who were denied the right to be represented by counsel. No appeal for clemency from the verdict of the military tribunal was entertained and no review of the verdict by any court or official was permitted. Persons adjudged guilty of terroristic acts or of conspiracy against the government or any high official were executed immediately.

Nikolaiev, the assassin of Kirov, was seized at the scene of the crime, and eight Leningrad officials, including F. D. Medved, Chief of Internal Affairs, and his assistant, F. T. Formin, were arrested for criminal negligence. At the end of the ten-day period set by the new decrees the police obtained an additional ten days in which to complete their case against Nikolaiev. Hence it was not until Dec.

21 that an indictment made public the official version of the crime. The Soviet authorities, meanwhile, had invoked their new powers of summary justice, basing their actions on grounds that now seem inconsistent with the subsequent explanation of the crime.

The government, as soon as the judicial procedure had been revised, arrested seventy-one persons in Moscow and Leningrad upon charges of plotting terrorist acts. By Dec. 5 the whole group, stigmatized as "White Guards," had been brought to trial before military tribunals and sixty-six had been executed. The remaining five were held for further investigation. The communiqué announcing the executions stated that these individuals had planned to lead a violent counter-revolution and had recently entered the Soviet Union through Latvia and Finland. Twelve more persons charged with similar offenses were arrested near the Polish border on Dec. 7 and four days later nine of the accused were executed by order of the military court. Another group of thirty-seven persons were seized in the Ukraine on Dec. 10 and within a week twenty-eight of them had faced the firing squad. By this time 130 persons had been arrested and 103 executed.

These people apparently had no former standing of any importance in the Communist movement. In the charges against them no such suspicions were disclosed as were later embodied in the indictment of Nikolaiev. They were represented as agents of the old counter-revolutionaries sent into the Soviet Union by foreign capitalist enemies to precipitate disorders that would pave the way for foreign intervention.

The indictment of Nikolaiev gave a different aspect to the affair. This document was based on an alleged confession by the prisoner who characterized himself as the agent of an anti-Stalin faction within the Communist party. The assassination of Kirov was to be the first of a series which was to include Stalin. The faction was described as a remnant of the old Trotsky-Kamenev opposition. Its ultimate objective, after the present Soviet leaders had been killed or driven into hiding, was said to have been the triumphal return of Trotsky as supreme dictator. The indictment contained a mysterious reference to a foreign power which was providing funds for the conspiracy and had promised military support. To all intents and purposes, however, the Soviet Government has now abandoned its charges against foreign capitalist enemies and has turned the affair into a struggle for power between factions within the Communist party.

For several days before the indictment was published the press had suggested that this would be the official version of the matter. There was violent outcry against the Trotskyites and a demand for the ruthless destruction of Stalin's opponents within the party. On Dec. 20 Zinoviev, Kamenev and thirteen other Communists, some of them—like Yendokimov, a former president of the Leningrad Soviet, and Safarov, a prominent authority on foreign affairs—individuals of distinction in the party and the government, were placed under arrest. At the same time a "purge" was launched throughout the party and the schools to remove from office every individual suspected of lukewarmness in his adherence to the Stalin program. This heresy hunt, urged on by a hue and cry in the press, led to the expulsion of several teachers from their posts and the removal of many Soviet officials from office in different parts of the coun-

try. On Dec. 28 and 29 Nikolaiev and thirteen of his alleged fellow conspirators received military trials and were promptly executed, thus bringing the death list to 117.

The apparently inconsistent behavior of the government raises some doubt as to the facts of the crime itself and the real purpose of the government in prolonging its punitive activities. If we can accept the indictment of Nikolaiev as representing the truth, the whole affair seems to be merely a sordid struggle for power characteristic of dictatorship. The initial wholesale killings can be dismissed as evidence of panic or as the seizing of a chance to clear out a miscellaneous group of enemies. But this view of the matter requires the student of Soviet affairs to seek an explanation of the present strife in the history of the Russian Communist party.

When Trotsky broke with Stalin in 1927 he carried with him a number of the most powerful figures in the party, particularly Radek, Zinoviev and Kamenev, all revolutionary leaders. In this dispute over a question of policy the Trotsky faction stood firm for the original Communist doctrine of world revolution as indispensable to the establishment of socialism in a single country. Thus the Trotskyites opposed Stalin's program of social reconstruction within Russia alone. The contest, fought out in the 1927 Communist congress, resulted in a complete victory for Stalin, and thereby the adoption of the Five-Year Program with all its national and international implications as the official policy.

The opposition then broke all rules of party discipline. By fair means and foul, they fought Stalin and his lieutenants, thus changing the dispute into a factional struggle for the dictatorship. This heretical conduct betrayed the Trotskyites into the hands of their enemy. They were all expelled from the party and subjected to varying degrees of punishment. Trotsky was first exiled to Siberia and then banished from the country; the other leaders were also exiled, but were eventually released after recanting their heresy and humbly pleading for pardon. Further protestations of loyalty to Stalin led to the reinstatement of Radek, Zinoviev and Kamenev in the party. Radek alone regained a responsible position. Both Zinoviev and Kamenev were again humbled by expulsion from the party and were again obliged to beg forgiveness. Since their second reinstatement in 1933 they have held only obscure posts in the government. Radek has succeeded in divorcing himself entirely from his former allies and is now leading the campaign against them.

Trotsky has not concealed his determination to fight Stalin until he succeeds in recapturing control of the Soviet régime. His home in Constantinople and, during the past year, in France, has been the headquarters of a world-wide assault upon the Stalin interpretation of communism. He has split the party in all foreign countries into bitterly hostile factions and is himself the leader of the Left Wing which stands for the original doctrine of world revolution. It will be recalled that Trotsky's activities received the attention of the French police last Spring when he was expelled from his villa near Paris for engaging too aggressively in the campaign to wrest the leadership of the international movement from the Stalin group.

Publications in the opposition Communist press in the United States and other countries show that Trotsky has not ceased his attacks on the Soviet leaders. But there has been no

evidence until now that any of his followers had organized for violent action within the Russian Communist party. Even now it is not clear that the guilt of the more prominent Communists under arrest in Russia can be established. The government has made a special grouping of Zinoviev, Kamenev and certain other outstanding persons and has turned them over to a commission "for consideration of their cases for banishment." When the execution of Nikolaiev and his thirteen fellow-conspirators was publicly announced on Dec. 29, the authorities pointed out that the older and more famous members of the original Trotsky faction were still unpunished. There were, however, rumors that they had been exiled.

Although the Stalin government will undoubtedly emerge unshaken from this intra-party struggle, so that no change will occur in the political structure of the country, these events are of real importance because of their indirect consequences. There had been considerable evidence of late that the Soviet Government was beginning to discard the terrorist methods of dictatorship in favor of a more liberal and tolerant policy. The abolition of the Ogpu and the establishment of judicial procedures to safeguard popular liberties were but a phase of this new policy. Greater freedom had been given to the people in their economic and cultural activities and in amusement, dress and the frivolities of life. According to all observers these new liberties led to a marked relaxation of the general tension and the appearance of a novel buoyancy and gayety of spirit among the people. It would be an exaggeration to say that all this improvement has been destroyed by the events of December. Nevertheless, the judicial reforms of last Spring with their promise of a fundamental charter of civil rights have been largely emasculated.

The security and prosperity of individuals suspected of heretical political views is not much greater now than in the old days of the terror; the atmosphere of uneasiness and fear has returned, particularly in the chief cities. This condition is made worse by the hatred and vindictiveness toward unidentified social enemies aroused in large sections of the population by prolonged press propaganda. In terms of confidence in the future and a sense of security, the people of the Soviet Union have paid heavily for the struggle among their leaders.

Soviet foreign relations have also suffered. Mass protests against the brutality of the Soviet Government have been made in countries that recently had shown a growing cordiality toward Russia. This is especially true of the United States and of Great Britain, where mass meetings against the abolition of trial by jury resulted in representations to Soviet officials. It is only just to observe that a triumph of the Stalin group over the Trotsky faction will mean renewed emphasis on international peace and the conservative policy with respect to class war in other countries, for these are the distinguishing features of Stalin's program as contrasted with that of his opponents. But the means employed by the Soviet leaders have shocked popular feelings of justice, particularly in Anglo-Saxon countries where friendship with Russia is still new. The conception of the Soviet régime as a ruthless dictatorship based on terror had begun to fade in these countries, thus preparing the way for really friendly international relations. The events of December have revived the old conception of bolshevism.

Persia's Unsettled Frontiers

By ROBERT L. BAKER

PERSIA'S growing sense of strength and importance under the vigorous régime of Riza Shah Pahlevi is reflected in dissatisfaction with certain of her frontiers. At the present time she is engaged in three distinct boundary disputes, and a fourth is imminent. Perhaps emboldened by her victory over Great Britain in the dispute over the Anglo-Persian oil concession, Persia appears to be resurrecting old claims and to be pressing them with vigor.

Several times since Riza Shah's accession Persia has objected to the British protectorate over the valuable Bahrein Islands in the Persian Gulf, basing her claim on an occupation that ended in 1783. Great Britain, however, has shown no inclination to argue the matter and has simply announced that Persia's contention is unacceptable.

Early in December the Iraqi Government deposited a note with the League of Nations protesting against Persian aggression and violation of a protocol of 1913 which determined the Turkish-Persian frontier, since inherited by Iraq. The Teheran press on Dec. 14 took offense at the Iraqi note and declared that Persia had signed the 1913 protocol under pressure and that it had never been ratified by the National Assembly. The arguments on both sides will doubtless be presented to the League of Nations within a few months.

With the consent of both Persia and Afghanistan, a boundary dispute between the two countries is being arbitrated by a Turkish military commission. Far more serious is the situation created by an Afghan attack on the Persian frontier town of Zourabad on Dec. 13-14, when three persons were killed and 2,000 were captured and taken across the frontier into Afghanistan. Zourabad and twenty-five nearby villages were looted, with a property loss estimated by the Teheran newspapers at $250,000. The Persian press asserted that Afghan army officers and civil officials were in the raiding party. Afghanistan, which was elected to membership in the League of Nations only last Autumn, may be called upon to answer for this incident in its début at Geneva.

TURKISH FEARS OF ITALY

Following news that important Italian military, naval and air forces had been concentrated at Rhodes, just off the Turkish coast, the Turkish War Office on Dec. 18 ordered a partial mobilization of troops in Southwest Anatolia. There has been a certain amount of tension between Turkey and Italy since Mussolini referred to the necessity of Italian expansion in Asia in a speech last Spring. Although he attempted to reassure the Turkish Government by declaring that he considered Turkey a European country, Ankara has scrutinized Italian activities in the Eastern Mediterranean with suspicion and anxiety. Through the Balkan pact and negotiations with the Little Entente, Turkey has recently fallen into the orbit of French diplomacy, and Mus-

solini would undoubtedly like to influence Turkey against committing herself too strongly to the French. More plausible is the possibility that the preparations at Rhodes (if such there are) are aimed at Abyssinia.

Republican Turkey's progressive emancipation of women culminated on Dec. 14, when the Grand National Assembly unanimously amended the Constitution in order to permit women to vote and to become Deputies. The voting age of women was fixed at 21, and that of men was raised from 18 to 21. About 2,000,000 women will be affected, and they are preparing to show their gratitude by presenting Mustafa Kemal Ataturk with a parchment scroll which several hundred thousand of them will sign. They will exercise their suffrage for the first time in the parliamentary elections to be held later in the Winter. Since 1930 Turkish women have had the right to vote and stand for office in municipal elections.

As a result of negotiations covering more than a decade, the Turkish Government agreed on Oct. 25 to pay $1,300,000 in settlement of all claims of American citizens for wartime damages. Turkey recognized these claims in an agreement of Dec. 24, 1923. Payment will be made in thirteen instalments of $100,000 each, without interest, and are expected to begin on June 1, 1936.

Germany's favorable trade balance with Turkey for the first nine months of 1934 was more than double that of the same period in 1933, increasing from 4,010,000 marks to 9,188,000 marks. German-Turkish trade totaled nearly 70,000,000 marks for the nine-month period, as against 51,000,000 marks in 1933.

The Diarbekir vilayet in Eastern Turkey again suffered from severe earthquake shocks on Dec. 15 and 16. Twenty-five villages were destroyed, 20 persons were killed, more than 100 were injured and many thousands of peasants were made homeless.

THE EGYPTIAN DEBT

The question whether the Egyptian public debt should be paid in Egyptian currency, as Egypt desires, or in gold, as the French bondholders demand, came before the Mixed Court of Appeal in Alexandria after several postponements on Dec. 20. Counsel for the French and Italian commissioners of the debt at once asked for a further adjournment for three months. The request was granted and April 11 was set by the court as the date for pleading.

PALESTINE TAKES GERMAN GOODS

Palestine is now importing considerably more German goods than it did before the advent of Hitler and the Nazi persecution. This is because the Nazi laws affecting the alienation of funds prevent refugees from taking their entire capital with them. The 20,000 Jews who have gone to Palestine from Germany have been able to take with them only enough cash to pay expenses for a few months in their new home. But under a transfer agreement reached some months ago they are allowed to bring out about two-thirds of their capital in German merchandise. The rest they receive in cash, but over a period of time.

These transfers are handled by the Anglo-Palestine Bank, the Jewish National Fund and other organizations. Considerable quantities of the German goods imported in this way are useful for constructive purposes. Irrigation pipe, iron, industrial machinery and building materials predominate. Although there has been

criticism in some Jewish circles of this use of German products in building the new Jewish homeland, the fact remains that the transfer agreement offers the only means by which German Jewish refugees can salvage their wealth.

Until the German-Jewish refugees in Palestine formally acquire citizenship in their new home they will be without a country, as they have been officially informed by German consular agents that their German citizenship has been canceled.

The reconciliation reached between the World Zionist Executive and the Zionist Revisionists on Oct. 27 (see December CURRENT HISTORY, page 379) proceeded a step further on Dec. 14, when the Revisionists agreed to suspend their boycott against Zionist national funds. In return, the Revisionist party's share of immigration certificates to Palestine will be restored to it.

Zionists were heartened by the action of the British High Commissioner in approving the purchase by the Jewish Agency of the Lake Huleh land concession, which was granted to an Arab group in 1914. The tract, consisting of about 50,000 acres, most of it now under water, lies north of Safed, near the Syrian border. After the swamps have been drained and an irrigation system built, it is believed that the land will be the most fertile in Palestine, worth far more than the reported price of $1,000,000. Some 5,000 Arabs are at present living there, and 15,000 acres are being reserved for occupation by them. An Arab delegation that protested against the sale of the concession to the Jewish Agency was told by Sir Arthur Wauchope on Dec. 2 that the "policy of the government is to increase the country's productivity," and that the Jewish development of the Huleh tract would be a blessing to Palestine.

Telegrams in Hebrew characters are now permitted by the postal authorities in Palestine.

SYRIA OPENED TO JEWS

When it was announced on Nov. 26 that Jews would be permitted to settle in Syria and the Lebanon, the conditions as published were much harder than they have actually turned out to be. (See CURRENT HISTORY, January, page 507.) It was then stated that full title to lands along the Palestine frontier would be denied to Jews lest such land serve ultimately as an excuse for modifying the frontier in favor of Palestine. Immigration, moreover, was to be confined to Jews of the capitalist class, able to establish industries and employ Syrian labor, and there were to be no Jewish colonies similar to those in Palestine. But according to an announcement of the Jewish Telegraphic Agency on Dec. 22, engineers, artisans and farmers, as well as industrialists, will be allowed to settle in any part of Syria, and a section of land bordering the Palestine frontier has already been purchased by a group of Alsatian Jews for the establishment of three Jewish colonies.

THE ASSYRIAN PROBLEM

After many disappointments, the League committee which was entrusted with finding a suitable home for Iraq's discontented Assyrian minority has turned to Great Britain's offer of a district in the interior of British Guiana. Brig. Gen. Gilbert Brown and Signor Giglioli, League commissioners, arrived at Georgetown on Oct. 30 for a three months' investigation of the proposed area. According to a dispatch received at Georgetown on Dec 22, the commissioners were favorably impressed and would recommend the district.

Trade Prospects in the Far East

By GROVER CLARK

THE trade mission under Lord Barnby, sent by the British Federation of Industries last Autumn to study the situation in Japan and Manchuria, submitted its report in London on Dec. 20. This document paints a glowing picture of the opportunities in Japanese-controlled areas which lie before British industry, chiefly, at present, "in the provision of capital goods in connection with the rapid development now taking place." But it points out that the oil sales monopoly in Manchuria, if carried out, "will act as a deterrent to foreign capital from embarking upon enterprises in that part of the world." The diplomatic question of recognition of Manchukuo is specifically stated to be outside the mission's field.

As for Japan herself, the mission reports that the country is at the apex of her competitive strength. "We do not, however, believe for one instant that Japan is in a position to capture world trade either in all markets or in all products, or to destroy the highly developed industries of the West, particularly those in our own country." Protection of British industrial interests is urged, but not a trade war with Japan. The "better and more statesmanlike method" of "cooperation between British and Japanese industry" is recommended instead, though "each side would have to recognize the legitimate aspirations and difficulties of the other."

The report appears to have been received enthusiastically in Japan, but with some criticism in Great Britain. The mission obtained orders for $40,000,000 worth of steel products for delivery to Japan and Manchukuo in 1935. The point is made, however, that this particular time, when Great Britain and the United States are disagreeing with Japan on naval questions, is not a good one at which to urge measures that would tend to turn Great Britain toward Japan and against the United States. The interchange of commodities arranged for, it also is suggested, is likely to continue only so long as Japan needs "capital goods" for her expansion.

The French seem to think the British trade mission was well worth while. They are planning to send a similar mission, headed by Etienne Fougère, president of the National Association for Economic Expansion. It will also be non-governmental.

The prospects of a new trade agreement between Japan and Australia were improved by the arrival in Sydney, on Dec. 17, of a Japanese trade mission, following the recent visit to Japan of a trade mission from Australia. The new agreement, if one is worked out, is expected to deal principally with the exchange of Australian wool for Japanese cotton goods.

A new link was forged between Japan and the rest of the world when regular commercial transpacific radio telephone service was inaugurated on Dec. 7. Secretary Hull, Foreign Minister Hirota and the two Ambassadors exchanged greetings.

DISCONTENT IN JAPAN

The first mutterings of discontent in the Japanese Diet against the new

budget were silenced promptly and effectively. A special session was being held early in December to pass the Cabinet's program of a three-year grant of 209,000,000 yen for relief. The majority party (Seiyukai) members and others grumbled because the proposed budget for the fiscal year 1935-36 provided practically in full for the much-increased appropriation asked for by the army and navy, but cut the relief appropriation drastically even though this past year has been one of severe hardship for the bulk of Japan's farmers and a large part of her industrial workers.

On Dec. 5 a private member introduced, and the House of Representatives passed, a resolution calling for 180,000,000 yen for relief, in addition to the amount proposed by the Cabinet. The Cabinet promptly informed the Seiyukai chiefs that if the resolution were not dropped the Diet would be dissolved. The resolution was dropped, and the Cabinet's plan was given rubber-stamp approval.

Then, on Dec. 24, the regular Winter session of the Diet met, only to adjourn, in accordance with custom, till it would meet for business late in January.

General Jiro Minami assumed office as Japanese Ambassador to Manchukuo and Commander-in-Chief of the Japanese forces in Manchuria on Dec. 10, thereby tying the final knot in the army's complete and dictatorial control of all Japanese undertakings, civil as well as military, in Japan's new bailiwick. (See CURRENT HISTORY, December, 1934, pages 383-84, and January, 1935, page 509, for details of the reorganization of Japan's administration in Manchuria.)

An Associated Press dispatch told the sort of man General Minami is and what might be expected of him. It said that "a Japanese writer who has followed his career closely describes General Minami as an unwavering believer in his country's imperial destiny on the continent of Asia and an exponent of direct, forceful methods of dealing with any that oppose Japan's mission to 'maintain the peace of East Asia.'" Under his command General Minami has about 60,000 Japanese troops which he may use as he sees fit, without even the formal approval of the Manchukuo Government. Under the terms of the protocol of Sept. 15, 1932, by which Japan recognized Manchukuo as an independent State, she has full responsibility for the defense and policing of Manchuria.

Japan has received another rebuff from the League of Nations. After somewhat protracted hearings, the League's Mandates Commission, on Dec. 23, drafted its report on the Japanese administration of islands held under mandate in the Pacific. The commission found unsatisfactory Japan's explanation of what has been done. The next step, it is anticipated, will be a request that the League Council ask a committee of jurists to advise it on the legal point whether Japan will be entitled to hold the islands under a mandate after her notice of withdrawal from the League comes into effect in March. Japan insists that withdrawal will not affect her right of mandate control of the islands.

RUSSO-JAPANESE RELATIONS

A final settlement of the sale of the Chinese Eastern Railway came one step nearer when, on Dec. 11, Foreign Minister Hirota formally offered a guarantee of payment by the Japanese Government, setting aside a plan to have the initial cash payment of one-third of the total amount taken care of by a syndicate of Japanese banks. For handling disputes over the payment of the other two-thirds, which is

to be in goods, Mr. Hirota proposed the creation of an arbitration commission of two Russians, one Japanese and one Manchukuoan. If the commission cannot agree, the Japanese and Soviet Governments would deal directly in cases involving Japanese, and the Manchukuo and Soviet Governments in cases involving Manchukuoans. The Soviet Ambassador at once wired these proposals to Moscow.

New difficulties have arisen between Soviet Russia and Manchukuo, as a result of an alleged invasion of Manchukuo territory, near Vladivostok, by Soviet troops. Both Tokyo and Hsinking, however, are belittling the affair.

The Japanese newspapers and some others in Japan are getting worried over the presence at Vladivostok of a number of Russian submarines of a size quite capable of making serious trouble for Japan in case of war. The submarines apparently were brought across Siberia in parts and assembled at Vladivostok. The numbers reported run all the way from twelve to forty. One Japanese magazine, which says it has studied the question, claims that the Russians are working toward a fleet of fifty submarines, based at Vladivostok. Japanese navy men pooh-pooh the possibility of a threat, saying that with mines it would be easy to bottle the submarines up in Vladivostok harbor.

CONDITIONS IN CHINA

Complete harmony has not as yet been restored between Canton and Nanking, but Sun Fo and a number of others of the Southern faction were on hand among the 106 who appeared at the opening of the plenary session of the Central Executive Committee of the Kuomintang at Nanking on Dec. 10. Sun Fo also was elected, with General Chiang Kai-shek, Premier Wang Ching-wei and four others, to the presidium of the sessions. One of the first acts of the C. E. C. was to refer to a special committee the draft "permanent" Constitution submitted by the legislative committee. Another was to approve the proposed judicial reforms and to refer these to the Central Political Council for action with a view to hastening the end of foreign extraterritorial jurisdiction.

A report submitted to the C. E. C. by the National Economic Council said that $15,000,000 (about $5,000,000 United States) had been spent on national reconstruction during the year, the principal result being the construction of many miles of new highway. Foreign trade was discussed, and recommendations were adopted for higher tariffs and encouragement of exports in order to reduce the unfavorable trade balance of recent years. The meeting of the fifth Kuomintang National Congress, originally set for November, was indefinitely postponed.

Bright promises for the early ending of the "Communist menace" in China again were held out toward the end of December in numerous reports and statements through Nanking channels, but, as previously, they appeared to be contradicted by other reports showing where battles with the Communists actually occurred. On Dec. 22 General Chiang issued a manifesto dwelling on the damage done by the Communists; he claimed that "some 6,000,000 people have been rendered homeless and driven into exile and suffering, while 1,000,000 innocent victims have been slaughtered in cold blood by these ruthless raiders." The people, he said, were "responding enthusiastically to the government's program of recovery and reconstruction and are now very hopeful."

But if all this were so, one wonders

why the 1,000,000 Nanking soldiers said to be in the field have not long since made good on the stories that the Communists were completely crushed. Other reports, for example, had it that the Communists' forces had been broken up into small, disorganized bands. Nevertheless, General Chiang, on Dec. 12, had felt called on to telegraph a stinging rebuke to Pei Chung-hsi, the Kwangsi commander, for permitting an army of 60,000 Communists to elude capture. General Pei replied bitterly that his forces had been engaged in "a single-handed battle for five days against heavy odds" —presumably without success, since the Communists got through on their way to set up a new Soviet State in the further west.

Conditions in Anhwei Province also have become so disturbed that the American, British and Japanese authorities have sent warships to the Yangtse port of Wuhu to protect the missionaries and other foreigners who, at the request of their consuls, are coming out from the interior. Two American missionaries, Mr. and Mrs. John C. Stam, were killed on the way out. Several Chinese were arrested and executed for alleged complicity in the affair. The Stams' infant daughter was saved.

In spite of the export tax placed by the Nanking Government on silver, the outward flow seems to have gone on with even renewed vigor, though through other than regular trade channels. Large amounts are being called back into the interior from Shanghai by those who had the metal on deposit in the port city, and Chinese silver dollars and "shoes" are turning up in Hongkong and Dairen (outside Chinese jurisdiction) in amounts running to many hundreds of thousands of dollars. The Chinese merchants are smuggling their silver out of the country to escape the 15 per cent taxes on exports. The bankers, alarmed by the continued drain of silver from China in general and Shanghai in particular, are talking about the desirability not only of abolishing the export taxes but also of refunding the taxes already paid on condition that the silver be brought back into the country.

SIAM AND ITS KING

King Prajadhipok of Siam has talked with the delegation from the Siamese Government which went to England to try to persuade him not to abdicate. The delegation reached London on Dec. 7, and saw the King on Dec. 12 and again on Dec. 23. All that the public was told about the results of the discussions was that the King would withhold his decision until after the delegation left England.

Meanwhile, on Dec. 15, the Siamese Parliament opened. The speech from the throne said in part: "My government will carry out the policy already laid down for the achievement of six principles: independence, internal order, economy, equal rights, liberty and education."

A high Siamese official in London on Dec. 14 took occasion to deny emphatically the authenticity of the many rumors which have been in circulation that negotiations were in progress with Japan for the construction of a canal across the Malay Peninsula. He said that Siam and Japan were not cooperating politically in any way.

CURRENT HISTORY

MARCH 1935

Government in Business

By STUART CHASE*

THE other day the United States Supreme Court handed down its decision on hot oil. Secretary of the Interior Ickes, it was declared, did not have proper legal authority to regulate the flow of petroleum from American wells. Were the big oil men delighted? They were not. They waste no love on Mr. Ickes, but the alternatives disturbed them deeply. "The outlook," reports James McMullin, "is either for legislation declaring the oil industry a public utility and subjecting it to far more rigid control than before, or for a price war that might breed extreme chaos." The retreat to rugged individualism is as alarming as an advance to socialism. Thus the oil industry stands—or shudders—between the devil and the deep sea. This same shudder is traversing the whole economic system, both here and abroad.

This was a harrowing, critical decision. There will be more of them. The public interest and traditional rights of private property are locked in gigantic combat of which no man can see the end, certainly not in the immediate future. The New Deal is a single engagement on a world-wide battle front. In Russia the forces of private property have been defeated, but in all other industrial nations the struggle is grim and unremitting. Fascism in Italy and Germany is a compromise, and an unstable one, between State control and private rights. Traditional capitalism and the free market are in eclipse, but many vested interests are still protected. In Great Britain, Sweden, Poland, Canada, Japan, Australia, Mexico, Argentina—wherever you choose to look—collectivism, with its centralized credit policies, arbitrary control of exports and imports, public works, relief programs, social insurance, is making heavy inroads upon

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the cherished freedoms of private business.

As long ago as 1926 John Maynard Keynes celebrated the end of laissez faire, and quoted Bentham's distinction between *Agenda* (things to be done) and *Non-Agenda* (things not to be done). The former was the field for collective enterprise, the latter for private. Where should the line run? "Perhaps the chief task of economists at this hour is to distinguish afresh the *Agenda* of government from the *Non-Agenda.*" If it were a major task in 1926, with post-war prosperity in full flood, how much more so is it in 1935, with six years of black depression forcing the issue?

Up to the World War, particularly in the United States, there were few harrowing decisions to make between public interest and private. (Lincoln, of course, had a major decision in 1861.) Private property could look over its great realm without a shudder. Its way of life was bitterly criticized by Socialists and humanitarians, but the system met the pragmatic test. It was above the line of social toleration. The parlor and lecture hall debates as to the virtues of government ownership against private ownership were exercises in dialectics, irrelevant to economic realities. The defenders of the private sector, impregnable as was their position at the time, looked anxiously for thin entering wedges and for camels' noses under the tent. There were few to find—a municipal water system and a power system here and there. The Post Office Department was periodically withered by rhetorical scorn, but mail deliveries were fortunately not affected.

Then came the war. It was found, to the considerable astonishment of the several general staffs, that war in the machine age meant the husbanding and control of nearly every variety of raw material, the planned direction of the bulk of agriculture, industry and transport. Private business could not meet this pragmatic test. The State took over the economic complex. The parlor debates began to have some tangible meaning. If collectivism was an effective way to wage wars, why not to abolish poverty? In Europe the lesson was driven home to a degree; the State never went back to the status quo ante. Here President Harding made a heroic effort to return, but government budgets did not shrink to the placid proportions of 1912 and a number of new government services remained. Private business, however, resumed its economic supremacy, and from 1920 to 1929 touched heights hitherto undreamed of, both physical and spiritual.

But something was out of gear. The uprush was too dizzy; the close of the New Era and its fantastic stock market were like the world of a fever patient. Suddenly the end came. Revivals have been announced for six long years, one after another, but none has come as I write. Little consumer goods boomlets, then little cascades. Some 20,000,000 Americans are still on public relief. Private business has retreated over a vast front, leaving the State in possession of the assets or deficits, as the case might be, and the sole provider for upward of a quarter of the whole population, including those on relief and on all government payrolls. This control is neither so complete nor so dramatic as in 1918, but it is in a way more significant. How long is it to last? Will private business come back, if and when the depression ends, as it did with Harding when the war ended? Is the State in for good and all? What is the function of the State, of collectivism generally, in respect to economic activity in the power age?

Where is the line between public business and private, not so much in wars or in the troughs of business cycles, but permanently, functionally? All Europeans and most Americans are now prepared to admit that the line that ran in 1912 has gone forever.

The growth of the motor car alone has forced the government into vast new functions of highway building and traffic control, and so driven the line to the left—if you please to call government activity leftward. This is no parlor debate. Socialization is upon us, horse, foot and guns. Today we have no time to waste on dreary arguments as to whether municipal power plants lose more money than private plants, or whether the Post Office surplus is really a deficit, or whether the government-owned Inland Waterway Corporation should be abandoned because of the "hidden costs" of clearing the channel of the Mississippi. There is no economic activity in America which the New Deal does not touch. Upward of 70 per cent of all Europeans are now living in the shadow of the totalitarian State.

"Towering above all problems," says Charles E. Merriam in *Recent Social Trends,* "is the larger question of how the division of power and responsibility under our complicated economic and political order shall be brought about. Of particular importance will be the type of rapprochement and rapport on the border line between industry and government. Shall business men become rulers, or rulers business men, or shall labor or science rule the older rulers? * * * What forms of government-owned corporations may emerge between the lines of the purely political and the purely economic? How shall business bureaucracy be held to greater public responsibility? * * * What shape will administration take under these new conditions of public and semipublic and demi-public sets of powers and organizations? * * * The whole delicate structure of modern industry is increasingly intertwined with governmental functions, and will continue to be so in the future, not as a result of any theory whatever, but as the inevitable consequence of the closer integration of social and political life."

Advocates of private business apparently believe that the wholesale slide toward collectivism is the work of "agitators," of reds, of borers-from-within. A safe and sane intellectual like Rexford Tugwell is made a symbol for socialistic penetration. The business camp thus mistakes the word for the thing. One might offer the gentlemen a suggestion. If private property really desires to maintain a modicum of power in the future, its advocates had best forget Tugwell and the reds, and concentrate on the march of tangible events. It is not with a few personalities that they must come to terms, but with a whole congeries of impersonal, historical forces.

Before proceeding to an appraisal of these forces, a definition is in order. What constitutes public business as distinct from private business?

From the larger point of view, that of a planetary visitor, for instance, there is little difference. The State, the cooperative association or any other collective organization employs labor, raw materials and technical skill to produce goods and services, which output is distributed to the community, exactly as the output of private business, also produced by labor, raw materials and technical skill, is distributed to the community. Modern specialization of labor applies in both cases. Certain workers feed, clothe or shelter other workers in ex-

change for motor cars, highroads, permanent waves, fire protection, newspapers, water supply, phonographs, public school education, golf balls, public health service and so on. In the United States today the private area is larger than the public area in both man power and investment, but the output is no more important and no less. We must have the farmer's food, the garment maker's overcoat, the municipality's water and the Treasury's certification of pennies, twenty-five-cent pieces and five-dollar bills. The public sector runs more to services than goods, but services are as mandatory as goods under power-age conditions. Deprived of its fire department for only a few hours, any large modern city would shortly have its goods reduced to ashes and embers.

Proponents of private business often regard all government economic activity as waste and loss. This point of view is understandable only as a cultural lag. In the nineteenth century, while American private business was exploiting and developing a continent, materials and man power devoted to activities other than the main chance tended to lessen the full profitableness of the main chance. The Pacific has been reached these forty years and more; the Westward drive has redoubled on its tracks, and in the ensuing congestion the services of the State as a general traffic officer have had to increase. A school or a hospital which citizens need is not an item of waste, while an Empire State Building which cannot be rented comes perilously close to that category.

Apart from the time-honored functions of national defense, the safeguarding of property and persons, and the guaranty of the medium of exchange—war, law and money—we may distinguish four general types of government activity:

1. Petty regulation of private business: legislation covering factory inspection, sanitary conditions and the like.

2. Major regulations of business: the concept of utilities as "affected with a public interest" and the regulation thereof; anti-trust legislation, tariffs, minimum wages, maximum hours, child labor provisions, price fixing, excess profits taxes, the enforcement of quality standards as in the Pure Food and Drug Law and the like.

3. The control of private business, without ownership of the underlying property. In this case administrative decisions pass to the State. The United States War Industries Board assumed such functions in 1917 and 1918. Business continued to own and operate its plants, but the government told business what to make, how much to make, when to deliver it and sometimes what to charge for it. Policy making, planning, the control of new investment passed from the private sector to the public. The transfer was in theory voluntary, but lack of cooperation on the part of a given manufacturer was summarily dealt with. He presently found himself without coal or freight cars or both. Today large sections of German industry and Italian industry are under this form of control-without-ownership.

4. Outright government ownership. This may take various forms: ownership and public operation; ownership and private operation under a limited dividend or profit sharing scheme; direct ownership like the Post Office; ownership through corporate device like the Inland Waterways Corporation. The latter in turn has many variables; the State may own the common stock only, or the funded debt only, or

may divide either with private capital.

Petty regulation is an old story and does not come into our picture. Private business has chafed under it, but has become resigned in the last half century. Major regulation is old in principle. The three chief applications have been in the fields of protective tariffs, "public" utilities and anti-trust legislation. These have limited many activities of private business—while stimulating others. Beginning in 1912, government regulation moved into new fields. The Federal Reserve System was set up and began to interfere with private banking; the income tax law was passed, with its power to strike at the heart of private business by sequestering a greater or lesser share of its profits; the Federal Trade Commission was inaugurated, presently to issue "cease and desist" orders against private enterprises.

Many of the activities of the New Deal fall under the head of major regulation. State control, as we have seen, was general during the war, and it is evident in the largest private business under the New Deal: the Agricultural Adjustment Administration has taken over the control though not the ownership of agriculture. Outright government ownership is growing steadily. The Reconstruction Finance Corporation is the largest financial institution on earth. Its common stock is owned by the Federal Government. The largest industrial corporation extant is the German railways, the capital stock of which is owned by the Reich. Its total assets exceed $6,000,000,000.

Major regulation and control-without-ownership may vitally affect the profits of private enterprise. Either can be applied to socialize the profits, but this has not happened often as yet. The war control by and large permitted an abnormally high rate of profits. The threat, however, remains. A government which has invaded private territory to this extent can sequester the profit if it chooses. State ownership automatically socializes the profit of the enterprise. Sometimes cooperating private capital, as in the case of the Swedish alcohol trust, is granted a limited dividend, but usually the government socializes the surplus either by selling at cost or by taking the profit into the national treasury.

Here is perhaps the cardinal distinction between the two sectors, a distinction which our planetary visitor with his merely physical telescope could hardly see. A given activity becomes public business when the public takes, or has power to take, its profit. The activity thus tends to fall out of the category that Veblen has called vendibility into serviceability. Its chief function is no longer to make profitable sales for private owners, but to render useful service for the community. This is not to say that the function will be fulfilled. The State may fulfill the debaters' predictions by bungling the control or operation. The community may be worse served by the State seeking serviceability directly than by private business seeking vendibility. Such failures as may occur do not, however, affect the function. When the United States Steel Corporation fires up its furnaces, under traditional conditions, it hopes to earn dividends; when the War Industries Board directed the furnaces to be fired, it hoped to obtain steel for specified war purposes. The function had altogether changed, although the temperature in the furnaces was the same.

Finally it should be pointed out that public business is not necessarily carried on by the State alone. Cooperative enterprises, especially consumers' cooperatives on the Rochdale

principle, are essentially public. Profit is returned through rebates or dividends to participating members. In 1934, the total business of such cooperatives in the United States was some $300,000,000—about 1 per cent of all retail sales. This division of public business has not gone far in the United States as yet, though it may become very important in the future. In Europe, its importance in many countries is profound. From a third to a half of all retail business in Sweden is in the hands of cooperatives.

What forces are encouraging collectivism so that it grows remorselessly whether we like it or approve it or not?

One major force is encouraging it: the pressure of the technical arts. A swelling stream of inanimate energy, focused by a growing multitude of inventions, has driven in upon accepted institutions like a rotary plow upon a Western snowdrift. If one charts the increase in the consumption of energy per capita, and lays down the line of per capita expenditures for government—Federal, State and local—the parallel growth is at once apparent.

Specifically, modern technology has bound us into one network of interlocked activities; it has hammered down costs of production in terms of man-hours, threatening unnumbered vested interests in high relative prices; it has shrunk the map by high speed transport and communication; it has reduced the working population through technological unemployment, with a consequent decrease in purchasing power; it has reared the fantastic towers and piled up the fantastic congestion of Megalopolis; it has spewed upon the roads 25,000,000 motor cars for the State to direct as best it may, while 20,000,000 radio sets demand a policing of air waves; it has equipped backward nations with energy systems of their own and thus has encouraged economic nationalism; it has speeded up the business cycle; it has unbalanced the whole price structure to the particular disadvantage of the business of farming; it has created a production plant far in excess of market demand—though not of human needs; it has upset the moralities of thrift; it has divorced ownership from industrial control; it has placed the consumer above the producer in economic importance, while "sound" finance knows no way adequately to finance the consumer; and, perhaps most devastating of all, it has reduced great blocks of property to impotence failing mass consumption.

Energy and invention are undermining traditional finance by pushing commodities from scarcity to abundance. The late Charles P. Steinmetz, who if any one ought to have known, foresaw electric power flowing like water within a generation. Obviously, few commodities will ever reach a complete abundance, where cost is zero, but all quantity production is moving steadily in that general direction.

There comes a point, long before zero cost is reached, where financial institutions based on scarcity become undermined. The present difficulties of the power companies, particularly holding companies, of the railroads, of soft coal mining, of petroleum production, of the textile industry, of farm surpluses—all these are cases in point. Only where a business-like monopoly is powerful enough to enforce artificial scarcity by severely restricting production to market demand, can the march be checked, and even there the check will be only temporary.

Modern methods of production are thus a major agent in the spread of collectivism. Other agents, more or less allied to them, are the growth of great corporations, themselves collectivism in embryo, as Keynes has demonstrated; the cumulative waste of natural resources under private exploitation—especially soil by erosion, forests, petroleum and natural gas; the acute problems of stream pollution and sanitation.

Recent Social Trends states the case thus: Government is being forced into economic activity because of technological progress; the growing tension between urban and rural areas, especially as affects the great city; the growing helplessness of the individual. Up to the time that study was published in 1932 no groups of numerical significance in America, according to the authors, were advocating socialism, communism, syndicalism or fascism. Propaganda had nothing to do with the process.

It is possible to measure the trend toward collectivism both quantitatively and qualitatively. Taxes, government expenditures, the creation of new government agencies, new functions, new controls, all indicate it. In 1912, in the United States, about the only camel's nose visible under the sturdy tent of private enterprise was government operation of the Panama Canal. This was viewed with alarm in some quarters, but it was admitted that the military aspects of the canal furnished an extenuating circumstance. The country was accustomed to government interference in the form of protective tariffs, the Interstate Commerce Commission and the anti-trust laws. Nobody ever thought of the regulation of public utilities, major regulation as in theory it was, as dangerous interference. The disregard was well founded. The "public" utilities generally regulated the sundry State commissions.

The year 1913, according to Bassett Jones in his scholarly book, *Debt and Production,* marked the culmination in the rate of industrial expansion in the United States. Thereafter, industry continued to grow, but at a declining rate. The young Republic had matured. The year 1913, whether by coincidence or not, marked also the beginning of the growth rate in collective control. Let us look first at the total tax bill. The figures are from *Recent Social Trends:*

FEDERAL, STATE AND LOCAL TAXES

	1913	1922	1930	Per Cent Increase, 1930 Over 1913
All taxes (current dollars).........	$2,259,000,000	$7,561,000,000	$10,277,000,000	355
All taxes (1913 dollars)............	2,259,000,000	4,639,000,000	6,117,000,000	171
Taxes per capita (current dollars)..	23.49	68.96	83.71	256
Taxes per capita (1913 dollars).....	23.49	42.31	49.83	112

That unhappy gentleman in a barrel, the average taxpayer, was assessed $23.49 in 1913, and $83.71 in 1930, an increase of 256 per cent. But measured in 1913 dollars, a fairer index, which takes the cost of living into account, the increase in his tax bill was 112 per cent. The burden, if you choose to call it that, more than doubled during the period. Measured in taxes, per unit of the population, the State was twice as active at the close of the period. Measured in man power, it was employing probably more than twice as many persons in its service activities.

Now let us look at all government expenditures. *Recent Social Trends*

adopts a somewhat different period for its calculation, but the trend is shown clearly enough in the next table:

FEDERAL, STATE AND LOCAL GOVERNMENT EXPENDITURES

	1915	1929	Per Cent Increase. Current Dollar	1915 Dollar
Federal	$719,200,000	$2,779,700,000	289	125
State	489,500,000	1,954,200,000	299	135
Cities over 30,000	1,048,300,000	3,307,500,000	216	85
Other local	1,122,600,000	3,410,800,000	205	80
Grand total	$3,379,600,000	$11,452,200,000	239	100
Grand total, per capita	......	......	179	65

An interesting observation from this table is the large preponderance of expenditures by city and local governments over State and Federal Governments. It was, however, State and Federal outlays that showed the largest growth during the period, indicating the trend toward centralization. Measured in 1915 dollars, total government expenditures increased 100 per cent. The per capita increase in expenditure for all government, in 1915 dollars, was 65 per cent. This is less than the tax increase shown in the preceding table, because the base year is 1915 rather than 1913.

Where did these increased expenditures go?

Highway construction and maintenance show the largest relative increase.

Education shows the next largest relative increase.

The Federal regulation of interstate trade shows a large increase.

Federal aid to the States for purchases of the public domain, for agriculture, public health, education, public improvements, shows a large increase.

Other considerable Federal increases are for aeronautics, radio control, agricultural marketing, merchant marine and services to business, both domestic and foreign. The last rose sharply while Mr. Hoover was Secretary of Commerce.

The States were going in for mothers' benefit payments, old-age pensions, central purchasing, statistics, workmen's compensation, mediation of labor disputes, employment agencies, minimum wages for women, forest fire control, sanitation, parks, fish and game control, the licensing and regulating of business and the professions.

The cities were going in for zoning and planning, clinics, child welfare, playgrounds, parks, traffic control, public health nurses, vocational guidance, the care of mental defectives, golf courses and airports.

It is estimated that one-third of all government activities in 1930 were new, unknown in 1915. But education and highways absorbed nearly half of all the public expenditures in 1930. Here is where the big money went.

The ratio of government outlays to the national income was 9.17 per cent in 1915, 12.08 per cent in 1923, 12.44 per cent in 1928, and by way of contrast 20 per cent in 1933.

Observe the new institutions founded after 1912. The list is not complete and does not include the War Boards of 1917 and 1918:

1913 Income tax legislation
1914 Federal Reserve Board
Federal Trade Commission
The Alaska Railroad (government owned and operated)
1915 Bureau of Efficiency
1916 United States Shipping Board and Merchant Fleet Corporation
Federal Farm Loan Bureau
United States Tariff Commission
1917 Inland Waterways Corporation (government barge line on the Mississippi)
United States Employment Service
Federal Board for Vocational Education
1920 Federal Power Commission
1921 Bureau of the Budget
1922 Grain Futures Administration
1923 Personnel Classification Board
1924 Federal Oil Conservation Board
1926 Aeronautics branch, Department of Commerce
1927 Federal Radio Commission
1928 Federal Farm Board

At the time when private business

reached its zenith of power, under Harding and Coolidge, public business too was steadily expanding. The president of the Chamber of Commerce might piously say: "The best public servant is the worst one. * * * He eats holes in our liberties. * * * The better he is and the longer he stays, the greater the danger." (Homer Ferguson, in *The Nation's Business,* November, 1928.) But public servants continued to multiply, and with their city managers, budget bureaus, classification divisions, civil service rules, steadily to improve their administrative techniques. Mr. Ferguson's criticism was a moral one. "In practice," says Merriam, "this position was sharply challenged by the insistent demand for legislation and appropriation to serve various social and class purposes. Paradoxically, the general attitude was that of hostility to governmental expansion as such or on any systematic theory, while, in fact, the demand for governmental action went on at a rapid rate at the very urgent insistence of business, labor, agriculture, the professions and the general public. Each might be theoretically opposed to the extension of governmental functions, except in its particular instance."

Again, while we find little change in the forms of government, either national or local, functions were rapidly changing. The traditional checks and balances remained as laid down by the Constitution, but the actual job of governing was being almost revolutionized. Counties were losing their function; Megalopolis was arrogantly challenging the sovereign State in which theoretically it lay. New York City was prepared to do battle with Connecticut and New Jersey, as well as with Albany. Studying these new functions, we can see the ancient forms visibly cracking under the influence of forces which the Founding Fathers never conceived.

We cannot fail to note that most of the new agencies and new expenditures were not "frills and furbelows," but answers to stark demands. Nearly every activity listed above has a direct bearing on the developing power age —education, highways, radio and airplane control, the Federal Power Commission, conservation, aids to agriculture, and the rest. Here, fundamentally, is no wanton extravagance such as keeps the economy leagues awake at night, but public business, of the most urgent kind. That there were waste, graft and extravagance in detail, goes without saying, but the big overhead expansion was caused by grim realities. The sourest spot in the whole catalogue was undoubtedly Prohibition. This precious legislation was drafted in answer to no genuine social demand. It is an outstanding example of an area where public business grossly exceeds its jurisdiction. State control of alcohol is, of course, something else again, in the sense that the public shares in the profits of its own tippling. This is economic regulation. Prohibition was a disastrous attempt at moral regulation.

The single camel's nose of 1912 had grown, by the end of the New Era, into a whole circle of noses. The tent was beginning to shake. For the first three years of the depression, the most substantial addition was Mr. Hoover's Reconstruction Finance Corporation. How substantial it proved, we shall see presently. With the advent of the New Deal, the intruders multiplied. Today, most of the camels are bodily in the tent.

The New Deal has released novel types of major regulation, new varie-

ties of control and semi-control without State ownership, new publicly owned corporations of various kinds, a Tennessee Valley Authority, charged with administering a vast geographical region, which acts like a corporation but has no capital stock, and an amazing dromedary known as a "partnership" between government and private business, under the NRA. Classification and interpretation of this menagerie presents its difficulties. How far do these new agencies actually transfer control to the State; how far has potential control gone; to what degree is the government now responsible for economic policy for the nation at large; how far have profits—or losses—been socialized actually or potentially? Let us now describe the animals.

The Reconstruction Finance Corporation is at once the oldest agency inspired by the depression, the most massive financially and a government-owned corporation which, like the German railroads, maintains a degree of independence and initiative on its own account. In three years (February, 1932, to January, 1935) it has spent or allocated just short of $9,000,000,000, a sum which makes it the largest financial corporation ever heard of. Its capital stock of $500,000,000 was contributed by the United States Treasury; the balance of its capital has come from the sale of its own notes to a total of almost $4,000,000,000. The loans, investments and allocations to Dec. 31, 1934, according to Jesse Jones's report, were:

Under Mr. Hoover	$2,788,000,000
Under Mr. Roosevelt	6,177,000,000
Total	$8,965,000,000

Its profits on operations have been:

Gross earnings (chiefly interest)	$199,000,000
Operating expenses	134,000,000
Excess of earnings	$65,000,000

Its balance sheet on Dec. 31, 1934:

Assets	
Cash	$6,000,000
Loans receivable	1,546,000,000
Preferred stocks held	846,000,000
Accrued interest, &c.	48,000,000
Advances for relief to other government units	1,987,000,000
Total assets	$4,433,000,000
Liabilities and Capital	
Notes payable	$3,834,000,000
Interest payable	34,000,000
Capital stock	500,000,000
Earnings, as above	65,000,000
Total	$4,433,000,000

Who was credited with the $9,000,000,000?

Banks—loans, aid to depositors, preferred stocks purchased, &c.	$3,628,000,000
Farmers—crop loans, mortgage help, land banks, &c.	2,127,000,000
Unemployed—advances or allocations for relief	1,300,000,000
Railroads—loans	465,000,000
Mortgage companies—loans	360,000,000
Home owners—advances to home loan banks	325,000,000
Public works—self-liquidating projects	258,000,000
Building and loan associations—loans	143,000,000
Insurance companies—loans and preferred stocks purchased	139,000,000
Drainage and irrigation companies—loans	83,000,000
Securities purchased from the PWA	44,000,000
Business men—direct loans to general business	35,000,000
U. S. Housing Corporation—capital advanced	25,000,000
Chicago teachers—loans to pay accrued salaries	23,000,000
Federal credit banks	9,000,000
Credit unions	1,000,000
Total as above	$8,965,000,000

This classification is mine, built up in round numbers from Mr. Jones's more detailed figures. Banks, farmers and the unemployed are the three major beneficiaries. Then come railroads, mortgage companies and home owners. The cash actually paid out to Dec. 31, 1934, amounting to $7,502,000,000, was less than the total allocated. Of the total loans made during the three years, $2,465,000,000 has been paid back, which explains why the "loans receivable" on the balance sheet are smaller than the

total loans shown in the above table.

Is this a business or a community chest? It has a balance sheet and a profit and loss account which look like those of a private corporation, but it has a remarkable assortment of financial traffic—drainage companies, insolvent farmers, insolvent banks, home owners, railroads, Chicago teachers, insurance companies. A "safe and sane" banker would retire to his sanctum and shoot himself when the examiners arrived, if they were to find such loans and advances on his balance sheet. And yet we all know that little of this stupendous outlay could have been avoided, without bankrupting more companies and more individuals than our economy could stand.

If the banks and the farmers and mortgage companies could never repay, they could never repay. The Spring of 1933 was no time to speculate on good and bad financial risks; it was a time to keep our system of production from cracking up; $9,000,000,000 of collectivism helped to mend the crack. One would be foolish to look at the RFC as a business proposition, as an income-producing mechanism. It is an emergency repair squad.

Its activities have centred upon relief for capital and relief for the wayfaring man. Capital received first attention under Mr. Hoover, while under Mr. Roosevelt the common man has done better. But the two are not altogether separate and distinct. In a high energy economy, capital and the common man are tangled up together. Relief to banks and insurance companies has prevented millions of common men from losing their savings. Relief to farmers and home owners has prevented the destruction of creditors who held the mortgages. Capital has undoubtedly had the lion's share, but the price of taking it has been to make the State a partner, silent or vociferous as the case may be, of unnumbered business enterprises. The RFC is deep in the vaults of the banks, deep in agricultural credit, deep in the real estate business, in railroads, insurance companies. It has insured the bank accounts of upward of 90 per cent of us who have bank deposits. It is so deep in the economic structure that one wonders whether it can get out, or if it could, whether it would dare.

The RFC's loans, advances and stock purchases put it in the position of a great bank which, in the event of default, frequently takes over the operation of the defaulted properties. Already the RFC is operating one bankrupt railroad. It has power to take an active interest in the management of concerns whose paper it holds, to appoint directors in some cases, to dominate the board if need be. Thus the adventure in government ownership may have a secondary effect in more ownership, operation and control. In some cases the effect is already visible. A. Wilfred May, writing in *The Annalist* in December, 1934, sees thousands of banks under partial government ownership by virtue of the RFC.

It is too much to say that the RFC is socializing private profits, but not that it is in a position profoundly to modify the profits of many enterprises. Taken together with the growing powers of the Federal Reserve Board, the RFC may eventually provide a public alternative to private banking. Nine billion dollars is a fifth of the national income.

To my mind, the most immediately significant of the New Deal controls is its control over agriculture. What, basically, has the Agricultural Adjustment Administration done? It is in the process of collectivizing the

largest private business in the nation, composed of 6,000,000 farm units. This business has been in the red since 1921. Many farmers have made money, but agricultural prices as a whole have not been adequate to cover costs. Even in such a prosperous year as 1927, *Recent Economic Changes* shows a net loss of $1,717,-000,000 to farmers as a class, a loss enormously accelerated by the depression. Agriculture has failed as a self-sustaining sector of private business. Meanwhile the farmer feeds the nation and furnishes many important raw materials such as cotton and tobacco. One cannot throw agriculture into bankruptcy as one throws a Main Street haberdasher. Finance is important, but food is more important. So farming had to be extricated from purely private business and somehow established as a quasi-public business. The AAA did not buy the farmer out, or set up giant farms and village collectives like the Russians, or incorporate the several crops into huge State trusts, or underwrite a national network of farmers' cooperative associations. It offered to pay farmers for restricting their crops, to the end that their prices might be raised. This was admittedly a retreat to scarcity, but it had at least the virtue of partially righting the balance between agriculture and industry, a balance which had been going against the farmer for a generation.

More than half the farmers of the republic have already signed individual contracts with the Federal Government—3,000,000 contracts. Ruggedest of individuals, they are perforce becoming component parts of a vast collective machine. As such they will remain, presently to be joined by most of their fellow-farmers, until and unless farming as a private business can show a profit. In an economy of abundance, with agricultural productivity well in advance of market demand, that profit appears remote. Food is one of those commodities, unfortunate from the commercial point of view, which economists call inelastic. Profits always depend on relative scarcity. Probably half the present number of farmers, aided by agro-biology and up-to-date machinery, could keep the national stomach filled. There is little hope, in my opinion, for agriculture as a profitable private business. It is destined to stay indefinitely in the area of public business, where, with wise administration, ability and luck, it may have a great and prosperous future. The AAA has begun the task of socializing agriculture, and there is, for the discernible future, no turning back.

The government is obviously not socializing the profits of the farmers, for there are none. For the moment it is socializing their losses, passing part of the costs on to other sections of the community through the processing taxes. Following J. M. Keynes's definition of the *Agenda* of the State —the things that ought to be done by the State—the government is seeking to do what private business will not and cannot do. In times past the definition has covered relatively small enterprises like parks, playgrounds and lighthouses. It is ominous to find the *Agenda* spreading to the 30,000,-000 persons, more or less, dependent upon American agriculture. Certain selected and favored crops, such as truck farming, may possibly remain as profitable private enterprises, but a large, red question mark hangs suspended over wheat, corn, cotton, milk, hogs, beef, rye, oats, tobacco, rice and others. More probable than restored private control over these crops is public control progressing in the di-

rection of more efficient and economical large-scale methods in place of benefits which are a costly anachronism.

While the National Recovery Administration permits no such reasonably clear conclusions, it has certain by-products of collective significance. It started as an adventure in the collective control of industry, but has become lost in the woods. Industry, or at least a large section of it, was still making profits in normal times. Not until the depression did it follow agriculture into default. Then its losses were appalling—probably not less than $8,000,000,000 net for all industry in 1932. By 1933, industry, thoroughly frightened, was ready to try anything short of nationalization. So the NRA was formulated by the United States Chamber of Commerce. Business men were to get together with their fellows in the same industry and plan for the good of all; they were to get together with the government and plan for the good of the nation. Charming but impracticable. Nine business men out of ten distrusted their competitors, and ninety-nine out of a hundred distrusted the government. Seeds of cooperation, no matter how thickly showered, could not grow on such ground. The business men who had previously got together—like those in the steel industry—stayed together, no longer fearful of anti-trust legislation. Those who had previously been asunder presently fell asunder again. Industry, unlike the farmer, may not be ripe for mass collectivization. If it is, voluntary cooperation is too mild a method for making the transition.

Meanwhile the NRA has inaugurated three principles of the first importance for social control—universal minimum wages, maximum hours, the abolition of child labor. For the first time the State is charged with the safeguarding of workers everywhere from rates of pay below a minimum standard of living, from excessive and brutal hours of labor. I say charged. Results to date have again been disappointing. The State steps into private industry at the bottom and says: Below this line exploitation shall not go. You must build competition above the prescribed base. If the cost is too great for Company A or Company Z, they must go to the wall. Society cannot tolerate those marginal, ill-managed concerns which cannot afford decent wages and civilized hours. Like the income tax, the control of hours and wages has the possibility of influencing profoundly the margin of profit and the distribution of wealth. Like the income tax, that control is a shiny new weapon which has not yet been effectively used.

Three years ago the word "dole" had an obscene flavor in the United States. Most business men held that the unemployed could get themselves jobs, and where they could not, worthy cases should be salvaged by private charity. Today, the Federal Government is keeping nearly 20,000,000 Americans alive on the dole, at a cost of about $2,000,000,000 a year. The President now proposes—and Congress has given him almost $5,000,000,000—to transform the dole into work relief, for those of the unemployed who are still employable. Socially, the cost of public works is nothing, in that the workers would otherwise be idle. Financially its cost is comparatively high. Private business, except in the construction industries, now prefers the dole to work relief. The first financial cost is less, and there is less danger of government competition.

Harry Hopkins, whose Federal Emergency Relief Administration has

been operating the dole, prefers work relief. In the Fall of 1933 Mr. Hopkins accomplished what no other administrator, public or private, has ever done in industrial history—he put 4,000,000 men to work in three weeks' time. Up to June 30, 1934, the FERA, through its Federal Emergency Relief Corporation, had broken another record. It had purchased 500,000,000 pounds of foodstuffs from farmers, mostly surplus stocks, for distribution to the unemployed. The corporation was a short circuit for the so-called paradox of plenty. Although it seems merely common sense to take surplus crops before they rot and deliver them to hungry men, such common sense is rare and difficult to apply.

The FERA is also putting the unemployed to work producing commodities for barter among themselves—mattresses, canned goods, overalls and the like. It is reported that more than 300,000 persons are so employed, using idle shops and factories. This is a cheap and sensible way to preserve morale while raising relief standards, but it admits the State into areas heretofore sacred to private business and so is regarded as a very dangerous camel's nose indeed.

Broadly speaking, relief is negative rather than positive public business. It keeps the community from starving, but does not lead the community forward. It fulfills the *Agenda* by doing what private charity can no longer do. When relief steps from the dole, however, to public works, it becomes positive. The unemployed have jobs again; the community has new schoolhouses, roads, hospitals, forest cover, water systems and the like. The 350,000 young men in the Civilian Conservation Corps initiated public business which could never have been done by private enterprise. The Public Works Administration under Mr. Ickes has been slow in getting under way, but in a year and a half it has allotted some $3,000,000,000. Certain technical methods of administration being quietly worked out in bureaus of the Interior Department—the determination of obsolescence rates, cost systems for new building projects, for example—have an importance out of all ratio to their conspicuousness.

Public finance, government direction of agriculture, a measure o fcontrol over industry, and public relief—these are the giants in the New Deal's menagerie. The rest of the collection are smaller fry, but warrant mention in our inventory. One or another of them may presently scramble into the first division. The Tennessee Valley Authority, for instance, is practicing social planning at longer range than any other agency. A decade from now principles it lays down through experiment may be binding policies of the nation. The integrated use of land, water and power makes a dynamic trinity, strictly in keeping with technological imperatives.

The following list serves to show the impact of the new agencies on various industries. Space does not allow detailed description; even if it did, the description would be out of date before these words are in print. The important thing to indicate in the premises is the mass impact. In 1928 such a parade would have been inconceivable:

OVERHEAD CONTROLLING, PLANNING AND ADVISORY BODIES APPLYING TO ECONOMIC ACTIVITY GENERALLY:

The Executive Council and the National Emergency Council. Coordinating bodies for the whole New Deal, headed by the President.

United States Information Service. Publicity for the New Deal.

Central Statistical Board.

Science Advisory Board. Collaborating with the privately endowed National Re-

search Council to put science to work for the government.

National Resources Board. In the process of becoming the central planning agency of the government. Its recent report is the most comprehensive survey of our national resources ever prepared. Its recommendations will form the backbone of the new public works program.

National Labor Relations Board.

United States Employment Service. It had received applications for more than 15,000,000 jobs and had filled nearly 7,000,000 to June 30, 1934.

AGRICULTURE:

The central control of the AAA as described.

The huge credit advances of the RFC as described.

The Farm Credit Administration.

Federal Farm Mortgage Corporation. To prevent foreclosures.

Commodity Credit Corporation. To advance loans on crops.

Land Bank Commission.

Production Credit Commission.

Cooperative Bank Commission.

Production Credit Corporation.

Federal Surplus Relief Corporation.

Federal Credit Union System.

ALCOHOL:

Federal Alcohol Control Commission. To administer codes for the industry.

AVIATION:

Federal Aviation Commission. Policies for military and commercial flying.

The subsidy of private air lines through mail contracts. Says President Roosevelt in this connection: "Government aid in this case is legitimate in order to save companies from disastrous loss, but not in order to provide profits."

BANKING AND CREDIT:

The RFC as described.

The multiform agencies for farm credit as listed above.

The Federal Reserve Board. It is tightening its grip on private banking, against the opposition of Senator Glass.

Federal Savings and Loan Association. To aid in home construction.

Federal Savings and Loan Insurance Corporation. To insure the above.

Federal Deposit Insurance Corporation. Up to June 30, 1934, it had insured 56,000,000 bank accounts in 13,982 banks to a total of $16,000,000,000.

Home Owners Loan Corporation. It has expended $1,000,000,000 to prevent foreclosures on small homes.

COMMUNICATION:

Federal Communication Commission. To regulate telephone, telegraph and radio industries.

CONSTRUCTION, PUBLIC WORKS, HOUSING:

Public Works Administration.

The new work relief legislation (January, 1935) whereby the President is granted $4,880,000,000 to put the unemployed on public works.

The Federal Housing Administration. Cooperation with private business in house repair and construction.

Division of Subsistence Homesteads.

Federal Subsistence Homesteads Corporation. Building new towns.

Federal Savings and Loan Association.

The policy, daily coming nearer, that housing for the lower income groups must become a public business, as it is in Europe.

FOREIGN TRADE:

The legislation which took the United States off the gold standard. The consequent gold "profit" to the government of $2,000,000,000 earmarked for the foreign exchange stabilization fund.

The Special Adviser to the President on Foreign Trade.

The AAA control of certain imports, such as sugar.

Executive Committee on Commercial Policy.

Interdepartmental Committee on Trade Agreements.

The Export-Import Bank of Washington.

If one may hazard a guess, based on the record, foreign trade appears to be moving in the direction of an ultimate State control of exports and imports, and thus following the common pattern of all nations at the present time. Russia and Germany have already assumed 100 per cent control.

FORESTS AND LUMBER:

The Civilian Conservation Corps.

The large purchases by the government of marginal land for the protection of the future lumber supply.

INSURANCE:

RFC loans to insurance companies.

Underwriting of farm and home mortgages on a vast scale by the Federal Farm Mortgage Corporation and the Home Owners Loan Corporation.

Federal Deposit Insurance Corporation.

Federal Savings and Loan Insurance Corporation.

The great program of social insurance and security now before Congress, including unemployment insurance, old-age pensions, mother pensions, health insurance.

Committee on Economic Security.

OIL:

Petroleum Administration. To adminis-

ter codes and eliminate waste. It has attempted to control physical production by State quotas, until checked by the Supreme Court's "hot oil" decision. The attempt is now being resumed, from a new legal direction.

POWER:

Federal Power Commission.

The Tennessee Valley Authority. Appropriation, $75,000,000; staff, 10,000.

The National Resources Board and the Mississippi Valley Board.

Electric Home and Farm Authority. To distribute electric appliances.

National Power Policy Board. Under the PWA.

Boulder Dam, the Grand Coulee Dam, the projected development of the St. Lawrence for power and navigation, &c.

It was recently estimated that the value of projects already adopted, or definitely under consideration, will involve a government investment of $3,000,000,000. The book value of the private power industry is about $12,000,000,000.

SHIPPING:

United States Shipping Board. Here the government is socializing the losses of the merchant marine through mail contracts, precisely as in the case of aviation. The proprietary interest of the Treasury in the Shipping Board is given as $196,000,000.

STOCK EXCHANGES:

The Securities and Exchange Commission. To regulate the Exchanges of the nation; a critical function.

The Securities Act. Legislation controlling the terms under which new financing may be permitted. The broad principle of State control of new investment is thus laid down.

TRANSPORTATION:

The Interstate Commerce Commission, with growing power.

Federal Coordinator of Transportation. Joseph B. Eastman has prepared blueprints for coordinating all forms of transport into one organism, including railways, waterways, highways, airways, pipe lines, transmission lines. His alternatives are Federal major regulation, Federal control, government ownership.

RFC loans to railroads, and operation of one bankrupt railroad.

PWA loans to railroads for new equipment—rails, streamlined trains, electrification, &c.

GOVERNMENT CORPORATIONS:

A specific list of new government corporations belongs in our inventories despite certain duplications:

Reconstruction Finance Corporation. Capital stock, $500,000,000.

Federal Deposit Insurance Corporation. A stock, $150,000,000; B stock, $139,000,000; debentures authorized, $250,000,000.

Home Owners Loan Corporation. Capital stock, $200,000,000; bonds, authorized, $2,000,000,000.

Federal Savings and Loan Insurance Corporation. Capital stock, $100,000,000; subscribed by the Home Owners Loan Corporation.

Federal Farm Mortgage Corporation. Bonds authorized, $2,000,000,000.

Federal Surplus Relief Corporation. Allocated, $77,000,000.

Federal Public Works Emergency Corporation. Allocated $135,000,000.

Federal Subsistence Homesteads Corporation. Allocated, $50,000,000.

Commodity Credit Corporation. Capital stock, $3,000,000; has advanced $271,000,000.

Export-Import Bank of Washington. Common stock, $250,000; preferred stock, $2,500,000.

Tennessee Valley Associated Cooperatives, Inc. 100 shares, no-par-value stock.

Regional Agricultural Credit Corporations.

Production Credit Corporations.

The Treasury, among other things, appears to be turning into a vast investment trust, with a portfolio already heavy with common stocks, preferred stocks, Class A and Class B stocks, debentures and bonds of all varieties. Proprietary interests of the United States in government corporations and credit agencies were $4,382,000,000 on Nov. 30, 1934, according to official Treasury figures. Of that sum $3,300,000,000 was in wholly financed agencies and $1,082,000,000 in partially financed agencies, where private capital participated. In this department public business is following the corporate forms worked out by private business over the last century. We must remember, however, that a corporation is legally a "creature of the State." Adam Smith regarded the joint stock company with much the same horror as Ogden Mills regards socialism. He thought it destroyed individual initiative and responsibility, tended to split ownership from operation and threatened the "natural" laws of free competition.

While the searchlight of news has been focused on Washington, many of the forty-eight State governments have been taking unprecedented steps in public business. New York State, for instance, has been rapidly extending its authority over the power industry. It has penetrated deeply into the business of guaranteed mortgages, even to the extent of operating twenty-four large apartment houses in New York City which are in default. It has made very large land purchases for reforesting and recreation. It is entering the insurance business for workmen's compensation. The State of Alabama is proposing a whole series of economic authorities, with the Tennessee Valley Authority as a model. One suspects that a careful appraisal of State legislation in the past two years would show greater progress toward collectivism than had occurred in any previous twenty years.

Between February, 1932, and June, 1935, the Federal Government, according to *Barron's Weekly,* will have expended on account of the emergency the sum of $16,837,000,000. Of this, $6,557,000,000 will have gone for purposes upon which private capital would not normally embark—relief, conservation and public works; and the far greater balance, $10,280,000,000, for purposes upon which private capital would normally embark—loans to banks, railroads, mortgage companies, farmers, home owners, power development, &c. Of this latter amount, no less than $9,722,000,000 is in long-term financing. In effect, the government has superseded the investment banker in the capital market. In effect, it had to, for excess capacity had all but destroyed the traditional capital market. The private investment reservoir, into which $10,000,000,000 or so had flowed in 1929, fell to $644,000,000 in 1932 and to $381,000,000 in 1933.

Along with the above specific penetration in sectors ranging from agriculture to transportation has gone a general penetration over the whole economic front. The NRA codes have given pause to every business man in the country. They have forced him to take action—compliance or evasion as the case might be. Economic power has been flowing from private business, from local governments, from the State governments, to Washington. In Washington it has flowed from Congress to the President. For the emergency at least the initiative for spending money rests in the President, contrary to American practice in the past. In a pecuniary civilization, power of the purse is the most important function extant. Congress retains veto power, but initiative has been taken by the executive arm.

It is not too much to say that at the present time, and for the past two years, the executive arm, including President Roosevelt and his administrative staff, has had direct responsibility for all business, whether nominally public or private. When it was agreed almost unanimously that "natural forces" could not be permitted to continue deflation to the bitter end as they had in all earlier depressions, the State stepped in and assumed control. The nation in effect transferred economic power to the President. If there was a pump to prime, he must do the priming; if conditions were beyond pumping back to normalcy, his was the responsibility for finding a new economic system.

Broadly speaking, the executive arm of the Federal Government has been formulating the policies and making the decisions that have bound all American industry during the recent past. True, it has been done more

by default than by positive intention. True, it has not been done very well. The American Government had hardly more enthusiasm for collectivism than the American people. Both were pitched into it.

It is obvious that there has been a tumultuous advance in public business under the New Deal, an advance that dwarfs the very considerable march from 1912 to 1930. Government has stepped into all kinds of activities neglected during the depression by private business, like the capital market, agriculture, housing; it has invaded other activities in an attempt to stabilize them and prevent further deflation, like banks and railroads; it has been forced to assume responsibility, in default of jobs in private business, for upward of a fifth of the whole population.

Today, the State controls the economic mechanism, and the executive arm has developed beyond all precedent in trying to wield that control. No major undertakings in construction, housing, mining, transportation, agriculture, manufacturing, communications, power, shipping are being made without the permission or the encouragement of the State. It is highly probable, though not accurately demonstrable, that without the billions of dollars which the government is pouring out, private business would be at a standstill or even in actual recession. In 1934, steel-rail production was 1,008,000 tons as against 408,000 in 1933. This looks like a brave advance for the steel companies. But of the 600,000 ton increase, the government lent the railroads the cash with which to buy 425,000 tons. Of the 150,000 ton increase in angle bars in 1934 over 1933, 71 per cent was bought by Federal funds. And so it goes.

"The steel industry, the automobile industry, every industry that has been boasting about its better business in 1934 got that better business out of Federal funds paid out to its customers," says John T. Flynn. "These industries are on the dole. Their employes are on the dole. * * * The stockholders who have been getting the rising dividends and the bondholders who have been getting their continuing interest are on the dole too." This is putting the case dramatically, but there is profound truth in it. If the government should step from under, the economic structure would fall on its façade.

New Deal collectivism has socialized some losses like those of the farmers and the railroads, but it has not socialized profits to any marked degree. Industries have not been taken over bodily; income and profit taxes have not been severely applied; interest rates have not been arbitrarily set except in a few cases. The power to socialize profits is an obvious corollary of the undertaking to socialize losses. (Fundamentally, private business is not a profit system, but a profit-and-loss system, as every general ledger demonstrates.) The machinery has been created to socialize either.

One gets the impression of a gigantic wrecking car, hastily assembled, painfully lifting the economic mechanism out of a ditch into which, at 80 miles an hour, it had fallen. The mechanism is no longer mired, but is still badly damaged. The wrecking crew have got it out, but they have not got it going. If they retire while it moves off under its own power, collectivism will be postponed. At present, it seems more likely that a long towing job is in prospect.

In 1926 J. A. Hobson said: "Apart from all theories of socialism and individualism, a general tendency is seen in civilized countries toward the

assertion of public ownership, operation and control of land [natural resources and agriculture], power, transport, money, insurance, education, hygiene and justice, regarded as necessary prerequisites of liberty and equality of opportunity." The stoppage of these services "inflicts intolerable injuries upon the community," and the State is bound to intervene. Such intervention, Hobson believed, must be permanent. Under the clutter of hastily improvised controls we find this pattern strongly marked in the New Deal, tending to give it sense and direction. The agencies cluster about the functions Hobson mentions. This fact argues with some force for their permanence.

Finally, to tilt the problem at a somewhat different angle, the New Deal may be called collectivism rampant. It has underwritten the livelihood of every American, a totally unprecedented thing. Heretofore the frontier has underwritten our livelihood. The last family can eat, if it is not too proud to ask for relief. Beyond this base of security—humble in amount, important in principle—the administration proposes that the State shall find everybody who can work a job, if not in the private sector then in the public. This has been done in part through the NRA, in part through the Civilian Conservation Corps, in part through the Public Works Administration, in part through the barter industries of Mr. Hopkins's relief organization. Congress now places $5,000,000,000 at the disposal of the President to carry the principle further. Beyond this the administration proposes a universal program of economic security by means of unemployment, old-age and other forms of insurance. Legislation to this end is now before Congress, and in one form or another will undoubtedly be enacted.

It is impossible to overemphasize the ultimate significance of collectivism in this form. If economic security for all becomes the objective of the State, private business will have to fight for its profits-*ueber-alles* or clear the track. It will be a hard fight to win, for the mass of the people is militantly aroused on behalf of security. Whatever vested interests block, obstruct or delay the program must show good cause why they should exist; traditional property rights may not be good enough. Here, in embryo, is a new test for every economic activity, private and public: Is this business consistent with economic security, or is it not? No such yardstick has ever appeared in America before. Not even during the World War was collectivism in this sense contemplated. Yet in a high energy culture, the underwriting of the last family is perfectly feasible technologically. The National Survey of Potential Product Capacity computes a living standard of $4,400 per family in 1929, based on the physical plant in that year. It is probably mandatory from the standpoint of supplying adequate purchasing power to keep the plant operating at something near capacity. From the point of view of traditional finance, however, the security program is a shattering if not a revolutionary innovation.

One would be rash to hold that the New Deal will carry the principle through to its logical conclusion. But one can say that an impressive beginning has been made in the specific actions and policies above recited. And one can say that the wayfaring citizens of America, something over 100,000,000 of them, are solidly massed in favor of an extension of that beginning.

Sea Power and the Far East

By JAMES T. SHOTWELL*

ONLY once in history has the peace movement supplied a drama equal to that of war. It was at the Washington Conference on the Limitation of Armaments in 1921-22, when Secretary Charles Evans Hughes, taking the delegates completely by surprise, proposed in the name of the United States that the great sea powers should not only halt the building of battleships but should actually destroy a percentage of those already built, and that they should henceforth keep to an agreed ratio. The race in armaments was due to give way to cooperation in limiting and lessening the chief instrument of sea power. Never before had any government taken so bold a step in this most delicate of all questions of international relations. The Hague Conferences had failed to produce any such plan for practical measures of disarmament. The League had only just begun to explore the intricacies of the field. And here, suddenly, from the nation that held aloof from Geneva, came the leadership that had been lacking.

The challenge to the imagination of the world which lay in the act of Secretary Hughes was destined to influence the whole direction of the peace movement for the next twelve years. The spectacle that it offered — in anticipation of the fact—of nations towing battleships out to sea and sinking them in the cause of international good-will, was much more absorbing than the dull routine of discussion in the bodies of the League or of argument in courts or arbitration tribunals. In fact, success or failure in disarmament became, for most people, including most statesmen, the acid test of the peace movement itself. The authority of men like Lord Grey of Fallodon was invoked to prove that the race in armaments had been the prime cause of the World War itself—a theory widely shared in a grossly exaggerated form. The more cautious students of politics, who could not wholly share the conviction that peace was dependent upon disarmament, found themselves classed among the "militarists" and "navalists" who were frankly out to save armaments for the free exercise of their old-time uses.

Now, twelve years of effort to apply and extend the Washington Conference method has ended in Japan's denunciation of the limitation of its naval armaments that was then agreed to. Year by year, throughout this period, armaments have been growing by leaps and bounds, a sad commentary on the activities of the disarmament conference. Clearly, there has been something faulty in the method pursued, or the problem of disarmament is insoluble under the conditions prevailing in the world today.

One has not far to go before coming upon misunderstandings. They begin

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with the Washington Conference itself. The impression which gained ground, that Secretary Hughes's dramatic act was a stroke of genius, planned in the isolation of creative thought without reference to the preparations of diplomacy, was a mistake that beclouded most subsequent negotiations. It looked as if a measuring rod had been found by which one could calculate that chief element in sea power, capital ships, and assign a fitting number to the nations possessing them. The formula 5:5:3 became a popular slogan. It meant that Japan was to have three units, in these categories, for every five of Great Britain or the United States, on the principle that distance offered Japan an additional protection substantially equal to the missing two of the equation. The chief problem of naval disarmament seemed about to be solved in the most positive terms that could be found, those of mathematics.

But whoever has studied the diplomacy that made possible Mr. Hughes' success knows that the arithmetic was reached only after long and involved negotiations with reference to the relations of Japan with Great Britain. As J. Bartlet Brebner shows in the *Political Science Quarterly* for March, 1935, it was a statesman who was not present at the Washington Conference, Arthur Meighen, the Prime Minister of Canada, who made it possible. Mr. Meighen, spurred on by one of the most powerful molders of public opinion in Canada, John W. Dafoe, editor of the Winnipeg *Free Press,* had succeeded at the Imperial Conference of 1920 in inducing the British Government to denounce its alliance with Japan. It was this previous act, in which Canada took a bold stand for Anglo-American solidarity, that made the Washington Conference a possibility. Although the Japanese alliance was defensive and had a clause that released Great Britain in case of war between the United States and Japan, the alignment of naval rivalries was such that the United States, standing alone, could hardly risk curtailing her building policy.

All this means that disarmament is a fact of politics, the expression of political relationships, and that the resultant mathematical formulas tell only part of the story. Political relationships are the most uncertain elements in history, and it is rare indeed that they can be adequately expressed in terms of arithmetic. Nothing is more misleading than statistics in the hands of those who do not appreciate the variables in the character and outlook of peoples. The strength of nations depends upon imponderable, incalculable factors fully as much as upon the material elements that can be stated in terms of an equation. The outstanding illustration of this fact is the contrast between China and Japan.

But mathematical formulas have this advantage, that in their simplest forms they impose upon the mind with the force of a conclusion that seems final and inescapable. The diplomatic side of the Washington Conference, although it was registered in the Four-Power Pact and the Nine-Power Treaty, providing for the use of pacific procedure in the settlement of disputes affecting the area of the Pacific and China, did not lend itself to future developments as was the case with the ratios of naval disarmament. Here was a key that seemed to fit or to be adjustable to fit other doors that were closed along the pathway of international peace. Small wonder, then, that in succeeding years the movement for disarmament should concentrate upon finding arithmetical ratios for armies as well as navies.

Spurred on by the British, the

League of Nations tried to work out a system of comparative strengths for the standing armies of Europe. But, although the calculations made by experts proved of value in the plans of the Geneva Disarmament Conference, the total result demonstrated the unreality of any parallel systems of measurement, in view of the different geographic, historical and economic positions of the nations concerned. Moreover, the warfare of the future is bound to be more and more conditioned by these other factors, especially by the increasing rapidity with which industrial and chemical mobilization can be carried out. There is no 5:5:3 or any other such formula that can measure the potentialities in the ever-shifting field of science. The arts of peace are more and more of direct service to war. This is especially true of aviation. It is obviously absurd to set limits to the development of commercial aviation; yet it is admitted on all sides that in the "next war" it will be speedily converted to military uses and that aviation will play a predominating part, at least in the opening stages of the conflict. There are those who hold to the view that so deadly will be this first phase that there will be no second one to follow it.

Even in the comparatively limited field covered by the 5:5:3 agreement there were bad as well as good results from the acceptance of the formula. It set standards of comparison that made public opinion more "navy conscious" than would probably have been the case otherwise. This was all the advocates of increased naval building needed, for once a nation concentrates attention upon its naval or military establishment it tends to want more. It sees the problem in terms of national prestige, a fact that leaps to the eye in the splendor of massed ships or the march past, rather than in terms of actual need, which is a matter for strategists. It therefore naturally measures its show of force with that of nations above it in the scale instead of those in the lower registers. The almost inevitable result is an increase in armaments, because of the effort to live up to the standards set by the others. If treaties block this ambition in certain categories, there are always other categories to develop.

Thus, while the United States, acting in the utmost good faith, was ready to reduce its naval strength by certain units, it was not ready to take a second place to Great Britain. As a result, the slogan "parity with Britain" won nation-wide acceptance. The British Admiralty, even more than our Navy Department, was set upon saving what they could of a building program, as was shown by the extravagant demands of Lord Jellicoe and his associates at the Geneva Naval Conference of 1927. This gave the advocates of a bigger American Navy the opportunity to work for the fulfillment of the wartime demand for "a navy second to none" under the slightly variant terms of "a navy equal to the greatest." There was no need for justifying the navy program on the basis of possible conflict with the major sea power, which was a very real gain, but, so far as a lessening of naval power was concerned, the armament firms had no grievance against the Washington Conference.

This whole matter of the misuse of the mathematical formula of comparison in naval negotiations—and the same holds for land power—has been laid bare by Admiral Sir Herbert W. Richmond, one of the most competent and thoughtful critics of the whole history. The calculations, he says, should have been based upon the weak-

est instead of the strongest naval power. Germany had been disarmed with the understanding, if not with the definite commitment, in the treaties of peace, both that signed by the United States as well as the Treaty of Versailles, that the other signatories would also voluntarily limit their armaments with due regard to what Germany was forced to do. The Washington Conference should have built upon this base already indicated for it, if it had really in mind a program of progressive reduction in the coming years.

In devising the ratio without regard to this previous condition, which all had implicitly accepted as an obligation of honor, the powers represented at the Washington Conference set their courses toward maximum rather than minimum armaments. The calculations upon the German rather than the British basis would not have meant that the victors would immediately disarm down to the defenseless condition imposed upon Central Europe. That would be something beyond even the dreams of non-resistant pacifism. The attainment of equality by scaling down would take time, and its fulfillment would depend upon circumstances, for the issue of security cannot be got rid of by the arithmetic of subtraction divorced from reality any more than by addition. But sooner or later Germany would reach out for and be granted equality; why not set the agreed limits at a low level so as to avoid a race in armaments of the kind that alarms with the threat of war?

If the Washington Conference was too close to the World War to make such a liberal policy possible, it should have emerged in subsequent years. But although the disarmament conference did ultimately attempt to work it out when too late, the American navy-building program was never hampered by any such considerations. On the contrary, it profited doubly from the way the negotiations were carried on. The increased naval budgets of succeeding years were presented to Congress and to the country almost as if the United States had assumed a debt of honor to build up to its rivals in the agreed or permitted categories. When this argument grew thin, the opposite was maintained; namely, that we should build in order to come to the next conference with more ships to pile on the scrap heap in order to get the other nations to do the same. It seems incredible that any one should have taken this reasoning seriously as a contribution to the movement for disarmament, but so it was. The answer to doubters was that they were putting their country in a poor bargaining position. It must be stronger in order to force the hand of the others.

This was especially the case whenever any one questioned the need of American naval parity with Great Britain. The patriotism and loyalty of such a one were likely to be challenged at once; the worst possible construction was put upon his query, as if it were called forth by a purely seditious desire to see Britain triumph in some future war over the United States. Again one stands amazed at the simplicity of those who never tried to think this problem through.

One would have thought, to listen to some of the "parity" arguments, that in a war between the United States and Great Britain each nation would, like a Philip of Spain, gather together its great armada, and, ranging them in long battle formation on the high seas, engage in a stand-up fight in which the victory would go to the side that had the most and the best armaments. One does not like to

turn from matching ship with ship and gun with gun to the consideration of what would really happen in a war between the world empire of Great Britain and the continental might of the United States. Nor is there any need for the study of such a future war, because it is simply and absolutely impossible.

How many battleships, how many fleets would Great Britain have to own to compensate for that defenseless land frontier between Canada and the United States, which has for over 100 years been a symbol for the two nations and an ideal for others? The saner heads in the British Commonwealth of Nations have freely admitted that peace with the United States is a condition of the existence of the British Commonwealth of Nations, unless the cause should be one in which the whole world were against us. If that were to be the case, parity on the high seas with one power only would be a poor defense.

But all this calculation is unreal and meaningless. There is an unwritten principle of international relations, which is quite as strong a bond as any covenant or pact, to the effect that the English-speaking nations, no matter how much they may disagree, must not, cannot, settle their disputes in any other way than by pacific means.

Both history and politics, the lessons of experience and the needs of present and future, make it clear that the effort to define mathematical parity for nations with such different naval requirements as the British Empire and the United States tends to swing the discussion away from realities. The attempt to set up arbitrary standards in order to secure agreement is always a questionable practice in diplomacy, but it is doubly so when the items compared are those with which a country safeguards its security. Armaments must be calculated on a nation's need. As a matter of fact, this becomes the ultimate basis of comparison no matter what treaties are signed. If a nation really needs weapons, it needs the best it can procure; anything else is criminal negligence. The problem of armament—which is also that of disarmament—is to measure the need. The measurement of ships or armies will have to correspond with this fundamental standard.

Now the need for British or American armaments, if considered solely with reference to each other, could readily be reduced to the proportions of a police force. Any one who maintains the contrary, on either side of the land and sea frontier, is frankly a militarist. If these two nations cannot get along without planning war against each other, the whole peace movement is an illusion, the Briand-Kellogg pact an utter deception and universal war the ultimate conclusion of our civilization.

Unfortunately, however, the issue does not arise in these relatively simple terms. It is complicated by the rivalry of other countries in Europe and Asia, especially by the resurgence of Germany and the imperialism of Japan. These have both to be reckoned with by Great Britain; but the United States, only secondarily interested in Europe, is chiefly concerned with the plans and policies of the Japanese. From the standpoint of naval strategy, the British have to face the fact that if war broke out simultaneously in Europe and in Asia their fleet would be inadequate. Therefore writers like Lord Lothian have given warning that Britain may find herself unable to maintain her traditional rôle in the Orient if Japan goes ahead as she has been doing.

Singapore is a long way from the Yangtse. If the United States does not build up to meet this situation—to do so would silence all talk of disarmament—then some other solution of the problem must be devised. Can this be done?

For an answer one has to look at the reasons that led Japan to denounce the 3:5 ratio of the Washington Conference. Two interpretations have been placed upon this move. The first is that Japan regarded the issue as one of national prestige, of "face," the second that it was part of her strategy in Asia.

The apparent inferiority assigned to Japan was resented as an affront to its position as a great power. That there is more substance to this than has been appreciated in the United States has been apparent to all students of Japanese history and institutions. Prime Ministers of Japan and her negotiators at the London Naval Conference repeatedly said that she would never have planned so large a navy as she has been building if it had not been for the maximum standards set before her by the Western powers. "Face" is a "vital interest" in the Orient.

So far as this point goes it is clear that the Japanese, in denouncing the treaty formula, have rendered a service in forcing the discussion off the old mathematical battleground. For the last twelve years we have been attempting to take the military and naval positions by frontal attack, as it were, like those generals in the World War who became hypnotized with the idea of head-on charges over a prepared terrain. What is needed is a flank movement, an escape from the fatalism of formula. Fortunately, the field of politics in which such scouting must be done is not a dangerous one. There is no outstanding subject of quarrel in the economic or material relations of the United States and Japan that would justify political animosity or conflict. This George Sokolsky made clear in CURRENT HISTORY for February.

The second interpretation of Japan's willingness to have fewer and smaller ships if the other powers have the same is that such a cut in the navies of distant lands would leave her supreme in Asiatic waters. This undoubtedly presents the most serious problem in Far Eastern politics. But can it be solved by American maintenance—along with Great Britain or apart from her—of a naval force in the Orient sufficient to match whatever Japan decides to build? Such a policy of American policing the Yellow Sea or patrolling the coasts of China in the name of peace, through the long stretch of time needed for the Orient to reach an equilibrium, is plainly unthinkable. It is all the more so because Japan, in the eyes of many observers representing the cause of law and order, sheds the light of progress on the dark pathways of a continent that is its own hinterland. Surely the solution lies in some other direction. It calls for a renunciation of the politics of power for the politics of cooperation, not in any sentimental, utopian surrender of realities, but in an effort to match realities to the advantage of all concerned.

We return to the question of prestige. It is not additional ships that the United States needs to concede to Japan, but something that holds no danger for any one. We should offer, subject to the conditions outlined below, to undo the injustice of the Exclusion Act. Such a gesture of friendliness would not make any material change in the actual numbers of Japanese immigrants, because if they were

on the quota basis there would at most be only a few score more. It would, however, remove a brand of inferiority which Japan has sensed in the act.

But this should not be done in a way that could be interpreted, in either country, as a surrender to Japan's present policies. As compensation, Japan should do several things. First of all she should undertake to raise the standard of wages and conditions in industry so as not to engage in what is regarded by the United States as "unfair competition." There is nothing out of the way in this, because Japan remains a member of the International Labor Organization at Geneva, which the United States joined in 1934, and came to the first International Labor Conference in Washington in 1919 prepared to move along these lines in justification of its claims at the Paris Peace Conference for the recognition of racial equality. At a single blow there would be an elimination of two of the main sources of racial and economic irritation. Negotiations along these lines would be the practical application of the policy of the "good neighbor."

But there still remains the problem of the Asiatic mainland. The Stimson Doctrine of the non-recognition of Manchukuo might be made acceptable—in the long run—if modified to read that the United States will not recognize a treaty or condition arrived at by violation of the Briand-Kellogg pact; that is, of a nature to perpetuate the consequences of the violation. That would permit negotiations on a new basis and stimulate more liberal policies on the part of Japan without surrender on our part of a fundamental principle. It must be noted that the exact status of Manchukuo is not finally settled by Japan, for "sovereignty" is an adjustable term in the case of countries which are "advised" and policed by another power. The discussion of the question of sovereignty would be a good subject for the Committee of Intellectual Cooperation of the League.

As for the relations of Japan with the whole Asiatic mainland, the Open Door remains an American objective. But no one quite knows what it means; it is a doctrine which has been variously interpreted in different parts of the world. There is obviously room for friendly negotiations on this point as well.

Finally, China, too, has something to contribute, something to do besides insisting upon her rights. She has the vast problem of setting her own house in order. The Lytton Report was as definite upon this point as upon the delinquencies of Japan. The basis of peace is the development of justice. China is engaged upon the establishment of her own law and order rapidly and well, but the process is a long one. In the interval, while all these forces are at work, the United States and Britain cannot surrender their interests nor yield their place. They can, however, steadily lessen their forces with every sign of cooperation upon the part of Japan and every decided gain in the stability of the one great people of the Orient who are schooling themselves in democracy—China.

France's Many-Sided Crisis

By PAUL EINZIG*

Is France's crisis over or is it yet to come? This question has been the subject of lively controversy in and outside France during the past eight months. Many people believe that the French crisis attained its climax with the riots of Feb. 6, 1934, and that ever since good progress has been made toward political, economic and financial consolidation. This view, however, is regarded by many students of the French situation as being unduly optimistic. They regard such recovery as has taken place under the Government of National Union headed by M. Doumergue and under his successor, M. Flandin, as merely a temporary phase that will be followed by a relapse into a crisis.

The question is important, since stability and prosperity in France are essential to the peace and welfare of Europe. To answer it, let us see how the French crisis developed, examining one by one the various manifestations of the crisis, or to follow French usage, the various crises that have been running concurrently in France. In English we talk only about political crises, economic crises and financial crises. Even the term "financial crisis" is considered by many as superfluous, for a financial crisis is usually a manifestation of an economic crisis. The French, on the other hand, talk about a variety of crises: The *crise budgétaire,* the *crise de Trésorerie,* the *crise monétaire,* the *crise bancaire,* the *crise économique,* the *crise politique,* and, of course, the *crise de confiance* and the *crise morale.* Although they are all part of the same crisis, they should be considered separately, but without losing sight of how they are related to one another. Each crisis is the cause as well as the effect of others, and it would be difficult to enumerate them in order of importance. Let us begin with the comparatively simple.

First, the budgetary crisis. This seems to be a chronic malady in France. Apart from the period between 1926 and 1931, the French budget has closed with a deficit every year since 1914. The traditional reluctance of French taxpayers to pay taxes had made it impossible for the government to meet any part of the expenses of the war and of the reconstruction of devastated areas out of current revenue. The public debt thus increased to over 300,000,000,000 francs. This burden became one of the principal obstacles to balancing the budget even after the work of reconstruction was practically completed. There was, in addition, a parliamentary deadlock between 1924 and 1926. The budgetary situation was becoming desperate, when at the eleventh hour a government of National Union was formed under M. Poincaré, whose energetic measures averted a financial collapse.

The French people, confronted with extreme emergency and stirred to patriotism by M. Poincaré, now sub-

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mitted to sacrifices in the form of higher taxation and cuts in public expenditure. These sacrifices, however, were not unbearable, thanks to the period of economic prosperity that preceded them and that continued for years afterward. This is important, for the French taxpayers could afford to pay the increased taxes and trade could afford to stand the curtailed expenditure because of the stabilization of the franc at a level where it tended to stimulate business.

The period of prosperity that followed stabilization enabled M. Poincaré to accumulate a substantial liquid reserve for the Treasury and to reduce the public debt some 33,000,000,000 francs by the end of 1930. This state of affairs was too good to last. Within a few years adverse conditions, coupled with reckless financial methods, brought France back to a situation like that of 1926. The budgetary surplus disappeared and gave way to a large deficit. The Treasury surplus was used up. The public debt rose to its 1926 level. By 1931 the French budget was in the throes of a new crisis. This was partly due to circumstances over which neither the French Government and Parliament nor the people had any control. The world economic crisis inevitably affected France, causing a reduction in incomes, which in turn reacted upon the yield of taxation. No government, however skillful, and no taxpayers, however patriotic, could have prevented this development.

But there were other causes of the trouble for which government, Parliament and the people were to blame. In the first place, the deliberate deflationary policy pursued by the French Government was largely responsible for starting and accelerating the fall in commodity prices. Since a fall in prices inevitably leads to a decline in private earnings and correspondingly in public revenue, all the efforts of successive Finance Ministers to meet the deficiency were doomed to fail. The conditions that enabled M. Poincaré to balance his budgets no longer existed. France had ceased to be economically prosperous.

The will to take drastic measures to balance the budget was also absent. Although some of the Finance Ministers, especially M. Germain Martin, tried hard to eliminate the deficit, they could not overcome the resistance to unpopular measures in the Cabinet, in the Finance Committee, in Parliament and in the country at large. Between 1932 and 1934, this problem brought down one government after another. The inability of Parliament to cope with the budget was largely responsible for the decline of its prestige; but for this question the political troubles early in 1934 would probably never have occurred or, at any rate, would have been much less violent. The demonstrators in the streets of Paris in February, 1934, had the moral backing of a very large section of the French people, because the government and the whole parliamentary system were so utterly discredited, largely on account of the budgetary deadlock.

With the establishment of the Government of National Union, the budgetary crisis temporarily relaxed. M. Doumergue, playing on the Radical-Socialist party's fears of a general election, succeeded in passing M. Germain Martin's fiscal reform measures, thereby improving the budgetary situation beyond all hopes. Drastic economies reduced the deficit by 4,000,000,000 francs. It was claimed at the time that through these measures the budget was balanced, but subsequent revenue returns proved

that the rejoicing was premature. As was to be expected, drastic reduction of expenditure aggravated the economic depression and brought about a considerable decline in revenue.

This state of affairs continued after M. Flandin succeeded M. Doumergue, and by the end of 1934 it had to be admitted that the budget for 1935 would close with a huge deficit. In accordance with French fiscal tradition, the government did its utmost to disguise this unpleasant fact. On paper the deficit was reduced to a negligible figure, but various items were excluded. Expenditures on national defense and on the government's wheat and wine valorization scheme were placed outside the budget. The railway deficit of some 4,000,000,000 francs, for which the government was responsible, was also omitted. Taking everything into consideration, the total amount which the Treasury was called upon to find for current requirements during 1935 was estimated at between 12,000,000,000 and 14,000,000,000 francs.

Evidently it would be unduly optimistic to say that the French budgetary crisis is over. Indeed, there is every reason to believe that the worst is yet to come. The economic indices point to a considerable decline in trade during the second half of 1934, and this is bound to affect the revenue for 1935. Further attempts to balance the budget by means of economies must aggravate depression and thereby cause a fresh decline in revenue. Budgetary expenditure, trade depression and budgetary revenue are moving in a vicious circle, and there is no hope of breaking it except through drastic reflationary measures that would improve trade and provide a much-needed relief to the budget. At the existing price level the public debt places an unbearable strain on the budget, and unless it is relaxed by a reasonable devaluation of the franc, it will become a permanent obstacle to the return of a sound budgetary situation.

A budgetary deficit in itself is no disaster. Under ordinary conditions the French Government, with its excellent record as a debtor, should find it easy to cover the deficit by borrowing in the normal course. The difficulty lies in the distrust of the French investor. On various occasions since the war the Treasury was unable to raise in the capital market the funds it required. More than once, especially between 1924 and 1926, and again between 1932 and 1934, the Treasury's liquid reserve declined to a dangerously low level. For some time the Treasury's balance with the Bank of France was under 100,000,000 francs —barely sufficient to cover a few days' current requirements. M. Poincaré succeeded in accumulating a Treasury surplus of some 14,000,000,000, but his successors lost no time in spending it. In France it is said to be unsafe to show a Treasury surplus, since it encourages Parliament to be extravagant. M. Poincaré's surplus was, in fact, used up partly by current budgetary deficits and partly by the support the Tardieu and Laval governments granted various banks and foreign governments that got into difficulties during the crisis.

From 1932 onward the position of the Treasury became once more precarious. While in other countries the depression drove a large part of the capital formerly used by industry and commerce into government securities, in France the safety-first movement led to hoarding. The Treasury was unable to issue long-term loans except on highly onerous and humiliating terms, and the French money market provided no facilities for any substan-

tial Treasury bill issues. Although the leading banks were ready to take over a certain amount, their absorbing capacity was limited by their having to maintain abnormally large liquid cash reserves. On two occasions, in 1933 and in 1934, in order to meet the most urgent requirements, the Treasury found it necessary to raise credits abroad.

The loan operations carried out as a result of the temporary improvement that came with the advent of the Government of National Union admittedly relieved the Treasury situation toward the end of 1934. At the beginning of 1935 the Treasury's balance with the Bank of France amounted to about 1,000,000,000 francs. But the fact that the budget was hopelessly unbalanced continued to preoccupy the Treasury, and called for measures to secure its requirements of funds for the future. The government decided, at the beginning of 1935, to make Treasury bills eligible for rediscount with the Bank of France. Although this increased the absorbing capacity of the market for Treasury bills, it also opened up disquieting possibilities of inflationary borrowing.

The Treasury's difficulties were, as we have seen, due in part to the necessity of supporting banks that were in trouble. The banking crisis in France was indeed of exceptional severity. It reached its climax with the difficulties of the Banque Nationale de Crédit in October, 1931, which induced a wholesale withdrawal of deposits from practically all banks. If the Treasury had not gone to the rescue of the Banque Nationale de Crédit, there would have been a general run on the banks, and a collapse would have been unavoidable. As it was, the banks succeeded in saving themselves but only at the price of aggravating the economic crisis by ruthlessly calling in credits.

The banking crisis began to abate in 1932, and by 1933 it was entirely over. Fortunately, it reached its climax while the Treasury was still able to grant support. If the climax had come two years later, the government would have faced the dilemma of letting the banks fail or declaring a general moratorium, or else of supporting them by means of inflationary borrowing from the Bank of France. But the banks weathered the political and budgetary crisis of 1933-34 without much difficulty. The withdrawals of deposits during the panic were not sufficiently large to endanger their position, and after the formation of the Doumergue government the money previously withdrawn gradually found its way back to the banks. Not only did the banks not require help during that period but they themselves assisted the Treasury to no slight extent by taking up Treasury bills within the limits of their capacity.

There were no bank failures worth mentioning during 1934; yet the prospects are far from reassuring. Although by the beginning of 1934 the banks had eliminated their bad debts, in the course of the past year the deepening of the economic crisis has resulted in new bad debts. The difficulties of the Société Financière Spéciale, the Citroën Company and other concerns inflicted heavy losses upon the banks, and further losses are likely. Should they grow to such an extent as to alarm the French public, we may witness another run of depositors, and this time the Treasury will not have available liquid resources to support the banks. If both the Treasury and the banks require assistance at the same time, and they are unable to help each other, then the govern-

ment would have to fall back upon the Bank of France, and inflation would be inevitable.

This brings us to the French monetary crisis. Because of the measures taken by M. Poincaré, the post-war monetary crisis ended in 1926. The franc was stabilized. Thanks to the repatriation of French funds that took refuge abroad during the inflation and the favorable trade balance, brought about by the undervaluation of the currency, the Bank of France accumulated a huge gold and foreign exchange reserve. The technical position of the franc became very strong indeed. After the repatriation of practically the entire foreign exchange reserve during 1931 and 1932 the reserve ratio rose to about 80 per cent, which is twice the legal minimum. The French authorities defended the franc by applying the time-honored orthodox devices. They raised the bank rate whenever there was a persistent outflow of gold, even if in doing so they accentuated the business depression. The government pursued a policy of cutting down expenditures and encouraged private employers to do likewise. It was hoped that this deflationary drive would place the franc above suspicion.

But the French public remained profoundly distrustful of the franc. The hoarding of gold assumed unprecedented proportions, and from time to time there was a flight from the national currency; for instance, toward the end of 1932 and in the early months of 1933, and again toward the turn of 1933. The French public was reluctant to trust the franc mainly because of the budgetary and the Treasury crises. Although the Bank of France refused to finance the deficit, it was evident that, if the government should find no other means of raising the amount required, it would overcome the resistance of the bank and the deficit would be covered by inflationary borrowing. It was largely the anticipation of such developments that from time to time caused a flight from the franc.

The French public, moreover, feared a depreciation of the franc because of the adverse development in the trade balance. Owing to the low rate of stabilization chosen by M. Poincaré the franc was grossly undervalued until the end of 1931. Then it became heavily overvalued in comparison with the depreciated currencies. Despite all inflationary efforts, equilibrium could not be restored between French commodity prices and world prices. Consequently, it was difficult for France to export and she had to resort to various kinds of measures to reduce her imports—measures that tended to maintain high prices. Invisible exports such as the money spent by foreign tourists and the yield of foreign investments also declined considerably. The fear now is that a series of adverse trade balances will undermine the technical strength of the franc and that the pressure of business interests affected by the depreciation will eventually force the government to abandon its deflationary policy. While export trade alone is not of sufficient importance to France, the growing depression in home trade tends to encourage a strong movement in favor of devaluation. It appears, indeed, that the crisis of the franc is by no means over.

The economic crisis was almost entirely unknown in France until the end of 1931. The post-war slump of 1920-21 was followed by a rapid recovery as a result of inflationary spending by the government, while owing to the undervaluation of the franc France escaped the stabilization crisis that affected many other coun-

tries. After 1929, when the depression became world-wide, France appeared to be immune. This was due partly to her comparative self-sufficiency and partly to the undervaluation of the franc. It was not until Great Britain went off gold that France began to feel the economic crisis. During the following three years the depression increased gradually. The difficulties of the Citroën company at the end of 1934 provided some indication of the effects on trade of deflation and of overvaluing the franc. There is no reason whatsoever to believe that in this respect the worst is over. Even if the French Government should cease to deflate any further, the deflationary drive of 1934 has yet to produce its full effect upon trade.

Admittedly, at the beginning of 1935 the French Government changed its monetary policy with the declared object of assisting trade by making money cheaper. It is as yet doubtful whether this object will be achieved. In any case, the extent to which trade recovery can be brought about by means of cheap money alone is negligible. Thus the chances are that the French economic crisis will continue. This must accentuate the budgetary crisis, the Treasury crisis and the banking crisis, and through its psychological effect it may lead to a renewed monetary crisis. Owing to the demoralizing effect of prolonged depression, it may also become a cause of a renewed political crisis.

The actual figures of the French financial and economic situation are in themselves by no means alarming. It is through the exaggeration of their effect on the *crise de confiance* and the *crise morale* that they may produce disastrous consequences. The *crise de confiance*, or wave of distrust, has been the direct cause of most of France's troubles since the war. The chaotic conditions between 1923 and 1926 arose largely from the distrust that accentuated to the extreme all the adverse material factors. M. Poincaré's drastic measures restored confidence in 1926, and it was not until 1931 that France again relapsed into a *crise de confiance.* This time it took the form of a banking crisis, and, during the subsequent years, of repeated flights from the franc. M. Doumergue's advent restored confidence once more. But as the flight from the franc during the political crisis of October and November, 1934, indicated, the basis of this newly acquired confidence is none too solid. Any adverse development in the economic, financial or political sphere would be capable of provoking a fresh *crise de confiance.*

As for the *crise morale,* the recent financial scandals indicate that it is still acute. It began in 1930, even before the beginning of the economic and financial crises. Highly placed politicians were involved in a series of financial scandals. The most notorious were the Oustric affair, the case of Mme. Hanau and, over and above all, the Stavisky case. The last named wrecked two governments, and was largely responsible for the street riots in February, 1934. It disclosed a hitherto unsuspected degree of corruption among politicians, in government departments, and even in the administration of justice. Confidence in the whole parliamentary democratic system of the Third Republic appeared to be shaken to its very foundations.

This was only one manifestation of the *crise morale.* The exaggeration of the significance of financial scandals led to a state of demoralization the extent of which few people outside France realized. The Stavisky disclosures led the public to suspect scan-

dals everywhere. It was whispered that the fortifications on the eastern frontier on which many billions of francs had been spent were worthless, as a large part of the money remained in the hands of intermediaries. It was said that the machines of the air force were hopelessly obsolete and that corruption connected with army contracts had reduced the value of French defensive forces to insignificance. Indeed, there were wholesale desertions from the French Army, and the government, for fear of publicity, did not dare to prosecute deserters.

The political truce and the improved budgetary situation under M. Doumergue halted the *crise morale*. But no wholesale purging of political life took place, for that would have ended the political truce. The Stavisky inquiry was dragging on month after month without result. New scandals were discovered toward the end of 1934, and the year closed under the shadow of the Citroën affair. It would thus be unduly optimistic to suppose that the *crise morale* in France has come to an end. Even if at present there are no signs of such demoralization as was witnessed a year ago, prospects of a national regeneration, which alone can put an end to the *crise morale,* are completely lacking.

Given the financial, economic and psychological crisis France experienced during the last four years, and given her peculiar parliamentary system, the country had inevitably to go through a series of political crises. Ever since 1932 changes of government have been frequent and some Ministries have lasted only a few weeks. Political instability and the absence of a dependable majority for any government have aggravated the crisis in all its manifestations. The financial recovery of 1934 was largely the result of the comparative political stability brought about by the formation of the Doumergue government. The political truce continued when M. Flandin became Premier.

While M. Doumergue sought to cure the evil of frequent political crises by changing the Constitution, M. Flandin abandoned the idea and concentrated upon removing the causes of discontent through an improvement in the economic situation. Partly for this reason he decided to discard the orthodox deflationary policy of his predecessors and to devise measures that in given circumstances might result in reflation. Meanwhile, the improvement in the immediate international outlook has to some extent consolidated his position. Nevertheless, it seems likely that the political truce will end some time this year. A general election is due in May, 1936, and many months beforehand the parties will begin playing for position, with intrigues and tactical moves resuming their course. Thus, in all probability, will come to an end the comparative political stability that France has enjoyed since February, 1934.

The only sphere in which a distinct improvement may conceivably last for several years is that of international politics. Until a few months ago the possibility of war scares constituted a potential cause for the aggravation of the crisis, but at present there seems to be hope that no trouble will arise in that direction in the near future, even if the kaleidoscopic changes in the international situation suggest that it is not safe to rely absolutely upon the more amicable feeling that has lately been in evidence.

Yet in several spheres the French crisis is still going on unabated. The budget is still unbalanced; the economic situation is changing from bad to worse; the *crise morale* continues, even though in a less spectacular

fashion. In other directions the crisis has abated, but all the elements for its renewal are present.

What, then, is the way out of the crisis? The answer is: Through the devaluation of the franc. In abandoning the stubborn struggle to maintain the franc at its parity, the French Government would remove one of the main causes of the crisis. A reasonable devaluation would enable the government to balance the budget and thus also remove the cause of the Treasury crisis. The franc, at a lower level, would enjoy confidence; funds would return from their hiding places; trade would revive; the disaster of a banking crisis would no longer threaten; the *crise de confiance* would come to an end; all this improvement would prepare the way for the elimination of the *crise morale,* and would make for a reasonable political stability. Even in international relations the devaluation of the franc would strengthen France, since it would enable her to spend, if necessary, the amounts required for her national defense.

It is an exaggeration to say that devaluation would solve the entire problem. What is wanted is a thorough national regeneration, which cannot, however, be achieved unless the franc is devalued. Confronted with the menace of Hitler's Germany, which remains very real in spite of the recent improvement in international politics, France cannot afford to waste her energies in bolstering up the franc at an untenable level. In any case, she is heavily handicapped in the coming fight for her existence. The French nation is not mechanically minded in an age of increasing mechanization. It is not efficient in an age in which efficient organization is ever increasingly important. It clings to its nineteenth-century system of laissez faire while other nations make more or less rapid progress toward economic planning.

Over and above these and many other disadvantages it would be suicidal for France to go on handicapping herself deliberately by maintaining the franc at an overvalued level. It is to her interest to concentrate all her available energies upon working out her salvation by a fundamental regeneration instead of upon the defense of the present unnatural parities of the franc. The French nation has to realize before it is too late that the choice lies between the franc and France.

A Stay-at-Home Policy for America

By CHARLES SEYMOUR*

THE writing of Charles A. Beard is invariably stimulating; many readers would call it shocking, doubtless to the satisfaction of the author. Whether it can lead to action as well as to thought only the future can show.

Dr. Beard's latest book, *The Open Door at Home* (Macmillan, $3) is a definite call to action, which in its effects, if not in its processes, would be revolutionary. He calls it a "trial philosophy of national interest," but the tentative characterization is misleading. If we acknowledge the accuracy of his facts and the cogency of his argument, we must accept his program or, as he believes, "betray the security of the American nation."

In his preceding volume, *The Idea of National Interest* (Macmillan, $3.75), Dr. Beard analyzed factually the elements affecting American foreign policy, disclosing in the analysis irreconcilable inconsistencies alike of aims and methods. He now proceeds to work out a conception of national interest freed, so far as he can make it, from the gross contradictions and unattainable ambitions which have blurred the idea and vitiated its policy. It is, as he confesses, a personal interpretation of history and of policy. He purposes to show the most efficient use of the national resources and industrial arts of the nation at home, in a quest for security and a high standard of living.

The earlier portions of *The Open Door at Home* are for the most part devoted to a critical devaluation of the various theories applied in the past to the problem of national politics and economics, and now offered with new panaceas as an escape from the existing dilemma. The later chapters contain Dr. Beard's own program. He begins by analyzing in turn the statecraft of traditional industrialism and agrarianism; the possibility of patiently enduring the crisis with the application of minor remedies until it is past; the thesis of war as a means of stimulating commerce; the programs of communism and fascism. In this analysis he devotes chief attention to the industrialist and agrarian theses, neither of which he accepts as conforming with the facts of the past or offering much future promise.

He disputes the assumption that American industry and agriculture produce and must produce more than can be consumed by the American people, that we face inexorable "surpluses" for which foreign outlets must be created, that accumulations of American capital must be exported. There is no warrant, he insists, for the belief that commercial imperialism is even commercially worth while. Much of the original stake abroad has been lost; much of it has stimulated foreign industries to compete with Americans in foreign markets or even in America. Even if profitable to certain private interests, commercial imperial-

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ism fosters international rivalries and stimulates threats to national security.

The agrarian thesis, although it does not involve the political dangers and diplomatic risks of the industrialist, offers no better guide to policy. Historical experience does not indicate that the lowering of trade barriers will provide adequate outlets for the alleged surpluses. This thesis rests upon nothing more than "a maxim devised for a pre-technological or handicraft era, when the differentiation of national economies in respect of fundamental commodities was sharply marked and presumed to be permanent." As a scheme of thought Dr. Beard characterizes it as utopian. Nor is he attracted by the experiments in Russia and Italy. The Marxian solution he believes to be entirely lacking in working specifications. Of fascism he remarks that if it is a final and permanent system, "then progress has come to an end, which is doubtful."

Historic internationalism, as it is described by Dr. Beard, with its central theme of dependence upon a world economy, he likewise discards. It is based, in his belief, upon classical English economics and its theses do not correspond with the existing world order. Even admitting that it was once something more than a rationalization of the peculiar economic position of the British manufacturing classes at the middle of the nineteenth century, why attempt to restore a system which resulted in the World War and proved disastrous to mankind?

With such a clearing of the ground, Dr. Beard approaches the problem of defining and realizing the national interest of the American people. Two elements appear in this problem: The American nation and its interest. He first looks at the society of which the interest is to be conserved and ameliorated. Objectively, he notes that the home of American nationality is a continental domain forming an unbroken unity with no powerful neighbors of another race or tongue on its immediate borders. Few, if any, of the powerful passions of nationalism characteristic of European peoples are fostered in such a geographical location. As a result of historical processes, the American nation is not, and cannot be, racial as the term is understood abroad. There is no clerical control, no landed aristocracy, no monarchy. Society is essentially economic in character. Its political and economic ways of life, owing to its natural endowment, mode of settlement and expansion, are hard, practical and mechanical. Success in the management of large political and economic affairs on a national scale will necessarily demand the maintenance of social cohesiveness and the development of cooperative capacity.

Such are the elements which policy must take into account in seeking the national interest. But what is the supreme interest, as distinguished from a mere aggregation of special interests often conflicting in nature and harmful to national security? This question the author answers assertively: "The supreme interest of the United States is the creation and maintenance of a high standard of life for all its people, and ways of industry conducive to the promotion of individual and social virtues *within the frame of national security*."

Dr. Beard thus regards national security as the controlling consideration and one providing the positive guidance to policy hitherto lacking. In discussing security in its economic aspects, he attempts to clear our minds of the "clichés and tyrannical phrases of traditional economics, politics, sociology and international diplomacy." Security demands emancipa-

tion from dependence upon all the foreign factors over which we have no control and into which our foreign trade policy has pulled us—economic rivalries, revolutions, wars, vicissitudes of foreign exchange. Foreign trade should be carried on purely for the acquisition of the imports regarded as necessary to the national standard of life. The forcible promulgation of foreign trade by the State develops rivalries in which so-called American interests cannot be adequately supported by any navy we now have or could possibly afford to construct.

An absolute elimination of foreign trade for the United States, is, however, not proposed; Dr. Beard demands the maximum employment for the national resources and skills at home, where we know where we are ("tending our own garden," he calls it), and the minimum reliance upon international trade, which is constantly in oscillation. He suggests that full development of our own resources would so increase our national buying power that foreign trade would ultimately increase. But the imports thus stimulated would be, in the main, luxuries not indispensable to a stable standard of American life. In order to achieve the maximum employment of the national endowment, Dr. Beard is evidently prepared to go far toward complete Federal control of American economy.

He would first call upon "engineering rationality" to provide a standard-of-life budget for the nation in terms of food, clothing, shelter and conveniences in order to disclose the needs of the nation which must be supplied if the crisis is to be overcome. There must then be prepared a study of the national resources of the United States and of the capacity of national engineering and the arts to determine how far American industry and agriculture can supply the requirements. Then, and then only, will it be possible to plan the character of desirable foreign trade with reference to American needs. Complete economic autonomy he does not insist upon as either desirable or possible, but regards it simply as the basis upon which the search for a policy pointing to the utmost security must rest.

The proposals made by Dr. Beard involve the elimination of the real or so-called surpluses, "a flat rejection of the life and death formula offered to statecraft by exponents of imperialism, laissez-faire, capitalism and communism, namely that unless 'surpluses can be sold abroad, or huge international commerce is kept going, the nation must sink to a low level of living despite its enormous resources and unexcelled technical arts." Dr. Beard insists that an efficient distribution of wealth at home would be a main factor in resolving the crisis created by the alleged surpluses, and in eliminating the perils to national security. If the nation can correct the unbalanced accumulations of capital, the overextension of plant capacity and the inefficiency of domestic buying power the economic vices and the diplomatic dangers of international trade would disappear. An efficient distribution of wealth in the United States would "provide domestic use for a considerable part of the so-called surplus and reduce the pressures of the outward thrusts—thrusts which engender rivalries abroad, extend the interests of the country beyond the reaches of adequate defense, and lead to armament rivalries and their inevitable outcome—war."

Following upon the survey and exploitation of American resources so as to provide for basic American needs, it would be necessary, Dr. Beard points out, to provide for the

import of those raw materials and manufactured commodities essential to the highest possible standard of life. He gives tentative answers to the questions raised by the problem of control of exports and imports. He classifies types of imports that should be provided for, such as products that could not be produced in the United States at all or in sufficient quantity, commodities resulting from foreign skills and cultural qualities, books and objects of pure art. He points out the necessity of a single national organ of trade authority under the State Department for the adjustment and control of foreign trade. This type of control, he insists, is not a mere Utopian hope, but is rather a development of the actual drift of domestic policy and practice.

Since security is the supreme consideration, national defense necessarily plays a major rôle in the author's scheme of things. He is supremely critical of traditional theories on the nature of defense, whether militarist or pacifist, dominated as they are, in his opinion, by uncritical slogans. Pacifist writings have been unrealistic and sentimental. On the other side there has been no clear understanding of the tremendous implications in unlimited policy pointing toward unlimited war; no attempt to devise criteria that should determine what is meant by an "adequate" navy; no realistic definition of the purpose of the army and navy.

In attempting his own definition of a clear program, Dr. Beard advocates a policy of self-restraint. The size of the army and navy should be determined simply by its adequacy to defend the American people in their present geographical home. Aggressive economic and diplomatic action in distant regions must be eliminated. Such a policy is dictated by obvious factors. Protection to distant adventures cannot possibly come under the term national defense; such protection cannot possibly be effective even if it were justifiable; finally "as a matter of hard fact and national interest," the American people must concede to other powers rights of security outside the American zone.

This policy of defense rests upon the recognition that there are in fact three great existing zones of naval power—the British, the American and the Japanese—in each of which outsiders can operate only at the risk of complete defeat. Each power is secure within its own zone. The requirement of naval defense for America would thus be determined simply by the technical factors involving effective defense within the American zone.

To give effect to such policy, he suggests the consolidation of the War and Navy Departments into one Division of National Defense, placed under the supervision and control of the Department of State. Foreign policy and national defense must be coordinated so that policy will not go beyond the potentialities of defense, and defense will be adjusted by policy. Policy must be restrained on the basis of national interest.

Dr. Beard is thus brought to the general problem of American international relations and the principles best calculated to avoid any international disturbances that might affect American security. The probability of becoming involved in a war, he points out, bears a direct relationship to the extent of the economic interest of American nationals in the affected area and in the fortunes of the belligerents. If foreign trade were controlled by government, powerful private interests of the United States would not be permitted to have stakes abroad which must be defended. The perils of

war and the irritations of diplomacy would be largely eliminated. In case of war between other nations which interfered with American trade, the interests of the national trade authority would be considered and not those of private interests. The question as to whether the United States should enter the war or not, would be considered on its merits as a matter of public interest. "Until this is done, the United States is likely to be drawn into every serious conflict in Europe or Asia without respect to national interest—indeed to the peril of national interest."

Brief but definite consideration is given to the question of neutral rights in wartime. Dr. Beard shows clearly that to treat historic neutral rights as real rights which the government is bound to support, must foster dangerous delusions. The defense of neutral rights is in itself an approach to warfare, and it must be determined by the defensive interests of the United States as a whole.

The only way of avoiding intervention in a future war he believes to be the establishment of positive restraints at this time. He would enforce an absolute ban on the sale of munitions as specified in detail; exclude from American ports all armed ships of belligerents and exclude from American waters and territory belligerent submarines and aircraft; seize all vessels belonging to belligerents not removed from American waters within a brief period of time; forbid the enlistment of American citizens in belligerent armies and deny to American citizens the right to travel on the supply ships of belligerents. Trade with belligerents or other neutrals would be under national control.

This foreign trade control, which would operate in time of peace as well as of war and effectively supervise all international relations of an economic sort, might, in Dr. Beard's opinion, be a single Federal agency. Such a plan would involve the establishment in the State Department of a foreign trade corporation or foreign trade authority with full power "to control exports and imports into the United States, directly or through licenses with checks on performance provided by custom officers and shipping manifests." If such authority should seem excessive and impracticable, the Trade Authority might exercise control merely through a tariff mechanism manipulated so as to provide shifts in tariff schedules and classifications that would determine both prices and quantities.

Further reorganization of government departments, Dr. Beard believes, would be essential in order to give effect to such a policy. All agencies having to do with foreign relations, whether commercial or diplomatic, should be concentrated in the Department of State. The suggested Division of National Defense with its army and navy bureaus, as well as the Trade Authority, would be subordinate to the Department of State. He suggests further the establishment of a council for foreign affairs to be composed of the President, the Secretary of State and his new subordinates, and Representatives from Congress. Treaties should be ratified by a simple majority of the two houses of Congress.

This would provide, as he admits, a concentration of forces resulting in an agency of substantially unlimited power over foreign relations. "Since the United States is in no position to limit the power of other nations, it should set no limits to the power of its government to deal with them save that of ultimate responsibility to the nation from which its authority is de-

rived." By attending to its own business, Dr. Beard concludes, developing the policy of economic security, limited defense, rational control, and reciprocal exchange, the United States would offer to European nations a clear-cut program according to which they could shape their own course. Thus Dr. Beard's "trial philosophy" comes close to that of Will Rogers.

There is a good deal of attractiveness in the philosophy thus expounded in *The Open Door at Home* and much that is attractive in the approach to it. The clear-cut differentiation between facts that can be proved and speculative opinion, the intellectual honesty of the attempt to lay bare the essentials of the problem of national interest and to eliminate conventional and irrational modes of thought, the insistence upon the vital need of ethics and esthetics in the formation of policy, all this would give distinction and importance to the volume apart from its application to the contemporary crisis. Whether it will make numerous converts to this sort of neo-nationalism is doubtful. Dr. Beard runs to abstractions; there is some confusion of material; there are many redundancies and a paucity of concrete illustrations. A careful reading and re-reading is necessary to a comprehension of the nuances of his program.

Whether or not Dr. Beard's attack upon the industrialist and agrarian theses can be justified by the facts he adduces, and whether his facts are accurate and his use of them fair, it is certain that the industrial system has not brought economic stability and security to this country or the world. But while his substitute is attractive, he is far from convincing us that it is practicable.

"An efficient distribution of wealth" in the United States is too vague a phrase to persuade the American people to change a multitude of economic customs. It may be worth paying a great deal for in the way of revolutionary methods, but we want to know the price with reasonable exactitude. Federal control may have to be extended and all the ramifications of a vast bureaucracy developed. But before we approve general principles affecting much that to many American citizens seems to have both ethical and esthetic value, we want to be reasonably sure of what we are getting into. Dr. Beard shows us the Utopia of an "efficient distribution of national wealth"; he indicates in a very general way the direction toward it; but he does not consider the costs of the transition. Uncertainty destroys confidence, and there is no escape from the crisis without a return of confidence.

It is a pity that Dr. Beard did not take time and space to elaborate his chapters on international relations. If we may judge from various reviews, these are certain to be misunderstood. His "nationalism" will be regarded as a defense of isolation. As a matter of fact, his plan for a concentration of control over foreign affairs in a small executive group headed by the President and the Secretary of State would facilitate diplomatic cooperation by weakening factors of uncertainty. His idea of limited zones of action could quite simply be adjusted to the World Court or even the League of Nations. Federal restriction of the neutral rights of individuals, if clearly embodied in legislation beforehand, would not merely lessen the chance of American intervention in time of war, but would help the cause of general peace by giving to other nations, especially Great Britain, an assurance of the course of American policy. Such suggestions deserve further and careful consideration.

The Promise of the Virgin Islands

By RALPH THOMPSON

IT is hard to believe that the United States made a good trade, as the saying goes, when it bought the Virgin Islands. But bargain or no, after much talk of the navy's needs and Germany's evil designs, Denmark was in 1917 forced to sell for $25,000,000. America thus acquired three small islands—St. Thomas, St. Croix and St. John—a large number of uninhabited cays and some 25,000 new citizens (90 per cent of them Negro). Lying to the east of Puerto Rico, at the head of the rocky island chain stretching down to South America, the "Virgins" named by Columbus are among the most beautiful of the Lesser Antilles, and in some ways the most picturesque. Yet precious few of the administrators sent down by Washington have had time to ponder the almost miraculous scenery. The business of government and rehabilitation has been a full-time job.

Padding along the hot white streets of St. Thomas or St. Croix, a bundle balanced on her head, the average Virgin Islands Negress is the picture of placidity. Her husband and her children, too, seem to be sublimely free of care. The sun shines brightly, the red flowers bloom all the year, there are no street cars and few automobiles. A little burro will plod under an amazing load, and life moves at a tropic pace. But life has been also very bitter, and at times unbearable. Even easygoing natures have been brought to realize that.

When the navy took charge in 1917 the economy of the islands had been ruined by neglect, drought, a recent hurricane, and the departure, for obvious reasons, of the wealthy Hamburg-American Line interests. Then came prohibition, destroying the native rum industry and adding a final straw to the burden borne by the population. What had in 1900, and for generations before, been the thriving Danish West Indies, rich in sugar and rum and a world-renowned port—Charlotte Amalie, now called St. Thomas—had become President Hoover's celebrated "poorhouse." The long warehouses on St. Thomas harbor stood empty. Planters' estates on St. Croix and St. John fell into weedy ruin, and bush sprang up in their gardens and in the cane fields. The population, once nearly 50,000, was but half as large when the United States assumed sovereignty.

The navy spent about $300,000 a year during its administration. It improved the roads, controlled disease, and ruled with adequate if stern justice. But the navy's purpose was regulation, not rehabilitation. There had, moreover, apparently been quiet reconsideration of the strategic value of St. Thomas harbor and adjacent waters. In 1931, President Hoover was prevailed upon to appoint a civilian administration responsible to the Department of the Interior, and the navy sailed away. Today that branch of the service is represented in the islands by the crew of the St. Thomas Naval Radio Station.

The Hoover-appointed régime, with Paul M. Pearson as Governor, has held

office ever since. Every so often there comes a rumor that a new administration is due—one less "Republican," one more "honest," one more "efficient," one more "sympathetic" toward the New Deal. But Governor Pearson and his aides have stayed on, perhaps because they are neither Democrats nor Republicans and because they have brought to the islands the beginnings of, in the real sense of the term, a New Deal. If the plans at present under way are carried to their logical conclusion, the United States will have set up there a remarkable, possibly prophetic, economic system. Much of the credit will belong to the administration centred at Government House, St. Thomas.

This is not to say that the Virgin Islands have already been rescued from their misfortune. Whether through the inefficiency and inexperience of those in control, or through the inherent difficulties of the problem confronted, public funds available for nearly a year have only recently been put to work. A vocal and determined opposition seizes on every opportunity to condemn both acts and persons, and clamors continually for official intervention by Washington. There is none the less real progress to report. Accomplishment of the two-fold aim of making the islands self-supporting and of raising their standard of living is at least in sight. The method thus far employed has been, from the American point of view, revolutionary. It entails the use in industry and agriculture of the public moneys of the United States.

A few minutes' drive from the centre of Christiansted, one of the two towns on the island of St. Croix, stands the Central sugar factory. This has been bought for $60,000 by the United States Government. In the last year of private operation the factory made a profit of $11,000, and, according to unprejudiced opinion, it should continue to make profits. A hundred yards distant is a rum distillery, also owned by the United States Government. Connected by pipe-line with the sugar presses, this plant has an annual capacity of 1,500,000 gallons, and should eventually do a successful business. For the time being the rum produced is set aside for aging.

Further inland is the great Bethlehem sugar factory, bought by the government for $90,000. Out of operation for several years, Bethlehem at one time showed a profit of $1,000,000, and even today, with relatively low sugar prices, should make money on the investment—if (and this may be important) the market can absorb the product. A recent shop inventory disclosed material and supplies appraised at $67,000, and the actual operating machinery and plant could not be duplicated today for less than several million dollars.

On the success of these State-owned plants depends, to a great extent, the rehabilitation of the islands. The money for purchase was appropriated from PWA funds early in 1934; the transfer of title to the government took place later in the year. The Central sugar factory and its adjacent rum distillery began actual operation early in 1935, with the harvesting of the cane crop. Bethlehem will probably not produce until 1937, for the cane now being planted on near-by acres will not mature for eighteen months.

When the factories were taken over a good deal of land was bought with them. At Bethlehem alone 2,000 acres were acquired, and today much of this has been planted to cane, or cleared and plowed by the fleet of Diesel-engined tractors which form an impressive line nightly under the tool-

shed roof. Since Bethlehem needs about 4,500 acres for efficient operation, more land will have to be bought. Central will obtain its cane from neighboring government-owned estates, from the various homesteaded tracts on the island and from such private growers as may care to sell.

Privately-owned sugar factories and private growers still remain on St. Croix, and from them, naturally enough, there rose a storm of protest when the government's plans were announced. Termed nearly everything from socialistic to stupid, the scheme was fought from the beginning. The facts of the case seem to be that great efforts were made to sell the Bethlehem plant to private interests; the administration's first attempt was to bring private capital to St. Croix, and only when this attempt failed did the government take its unprecedented step. When the Colonial Council (municipal legislature) of St. Croix refused to grant the enterprise a charter, the proposition was submitted to the Colonial Council of St. Thomas and St. John, and this body gave the necessary permission.

Under the charter the plants will be operated by the Virgin Islands Company, which leases from the government the property (worth, when all purchases have been made, over $1,000,000) for the nominal sum of $500 a year. The directors of the company are Secretary of the Interior Ickes, Assistant Secretary of the Interior Chapman, Governor Paul M. Pearson and two prominent citizens of the islands, D. Hamilton Jackson and Lionel Roberts. Profits are to be devoted to educational and social purposes, including old-age and unemployment insurance.

The roster of enemies of the Virgin Islands Company is large. There are those who claim that government competition will ruin the private growers, and indeed it may, for with expensive heavy machinery which private growers cannot afford and with low capital charges the company can produce more economically than others. Already field labor has had its daily wage in off-seasons raised by the company from 40 cents to 45 cents. Private producers have followed suit, but presumably they would have to go out of business if the company were to meet the demand of 60 cents per day made by the St. Croix labor union.

Other opponents are said to include local Catholics, who, either out of fear of "socialism" or of the effect on the parochial school system of the broadened public educational facilities promised as a result of company profits, attacked the measure in the St. Croix Colonial Council. Still another group, while sympathetic to the scheme as a whole, fears the traditional inefficiency and red tape of bureaucracy, and points suspiciously to the fact that a former Government Secretary in St. Thomas, a one-time certified public accountant, has been made general manager of the company. Another complaint is that the company's salary schedule is so top-heavy that prospect of profits is slim, and that the workers will in the long run receive no more from the government than from private owners.

Company operations are at present confined to St. Croix, although there is a good chance that in time they will be extended to St. John, where the finest bay oil in the world is grown and distilled. The government has at this writing an option on the choicest bay-tree areas on the island. But St. John, with a population of under 1,000, is in a much less precarious position than the other two islands, for there most people own at least a little land and eke out a living somehow or other

by burning charcoal or raising cattle. The problem is much more acute on St. Croix and St. Thomas. On the former until recently more than 80 per cent of the land was held by a score of men.

To relieve this situation, the administration has parceled out to reliable and efficient natives small areas of about six acres each. This plan was begun some years ago, and when certain future arrangements are complete there will be no qualified interested homesteaders for whom land cannot be provided. Estate Whim, in St. Croix, for instance, was bought in 1932 with money included in the annual Congressional appropriations for the islands. Settled on this tract are now 151 families, who will own their land after making small payments over a period of years. The average annual rate of purchase payment per acre is less than half the rental formerly charged by private owners.

Model two-room houses of concrete block have been erected on Estate Whim, and these, too, are bought on the instalment plan without down payment. Further aid is given by the government in that government tractors and plows clear and plow the ground, the homesteader paying for these services once his crop of cane or other produce has been sold. What it means to the Virgin Islands Negro to have a neat home and land of his own may be realized only by one who has seen the hovels in which the landless still live. The self-confidence and monetary gain which the more thrifty homesteaders have already won are sufficient proof of the feasibility of the scheme.

Estate Whim is not the only homestead project on St. Croix; others have been underwritten with government funds or municipal funds, or by the St. Croix labor union. On the island of St. Thomas 250 acres are under cultivation in the Lindbergh Bay area, and further tracts will soon be bought. But the population of St. Thomas is traditionally non-agricultural, and placing these people on the land has its difficulties. For generations St. Thomas Negroes, male and female, have lived on the harbor, coaling ships or unloading cargoes. To provide for them a livelihood in the old way is no longer possible; even had the number of vessels fueling at St. Thomas not fallen off, automatic cranes are infinitely more economical and speedy than the strongest of human bodies. Facing the fact that St. Thomas homesteading is merely a palliative, the administration has sought other ways out.

There has been no attempt to introduce industries foreign to the people. Government House has instead encouraged more or less familiar handcraft work, and set up shops and cooperative marketing facilities. Workers are trained and materials are furnished; a revolving fund of $5,000 obtained from FERA supplies the necessary capital.

Almost any afternoon one may see groups of women and children sitting about the Cooperative in St. Thomas, learning the rudiments of their trade, and every tourist ship leaving the harbor carries with it hooked rugs, embroideries, basketry, woodwork and jellies and preserves bought by passengers. The demand from the United States for these products far exceeds the supply, and although sales for the year ended in June, 1934, were 250 per cent greater than for the preceding year, new workers are still being taken on.

Another scheme for helping the islands—one upon which the administration pins especially high hopes—is that of attracting increasing numbers.

of tourists. To this end Washington appropriated funds for a new hotel, erected on the knob of a hill overlooking St. Thomas harbor. Opened early in 1935, Bluebeard Castle Hotel, named for the ancient keep about which it is built, has already entertained many guests. It is at present under the direct control of Governor Pearson, but will eventually be leased to an operating company. If prospects are sufficiently encouraging, the government is prepared to build another hotel, as well as modern private dwellings which may be rented by visitors and tourists. Virgin Islands weather during the Winter is nearly ideal, and all ordinary sports facilities are available.

In other ways, perhaps less dramatic than the foregoing, the rehabilitation goes on. Truck gardening for local consumption and for Winter export to the United States is being encouraged. Refrigerated boats and storage will help the fishing industry. Agricultural experiment stations are testing the soil for cotton and other money-crop possibilities. Recently established CCC camps will fight erosion, recover long-lost springs, reforest where necessary. Adult and nursery school education is supplementing the growing primary and secondary school system.

Much has been made in the American press of the local antagonism to the Pearson administration, and indeed the most obscure observer from abroad will not be long in the islands before he is beset on every side by explanation and accusation. There have been charges of corruption, malfeasance, bribery, theft, incompetence. A local merchant is as likely as not to launch unasked upon his version of matters political; the Negro porter carrying a visitor's luggage to the hotel can be easily persuaded to advance his theory of what is right and what is wrong. Petitions signed by thousands of natives have asked for removal of the Governor; demonstrations in favor of the Governor's opponents have ended in broken heads and cries of police brutality.

Much of the local antagonism comes from those who feel that the natives are being given more than they deserve, if not more than they want. These critics claim that the Governor, a former teacher of public speaking at Swarthmore College, a Quaker and a Chautauqua organizer, has applied to his work the romanticism of an academic reformer rather than the realism of a practiced colonial administrator. But it is hard to believe that the natives resent what is being done, despite the results of a so-called plebiscite held in 1934. As for mass meetings and demonstrations, an Indian herb doctor could draw a crowd in St. Thomas market place even more quickly than in Times Square. The attitude of at least a part of the working population was well expressed in private conversation by a prominent Negro leader. "Things may be far from perfect today," he said, "but we never before had the chance we have now."

The most bitter of Governor Pearson's opponents have been worked up to a surprising pitch of personal hatred for those now in control. Several are discharged government employes who make no bones about stating publicly or privately their uncompromising attitude, and there is no question that at least one has sworn to "get even" because of his lost job. Their charges of misappropriation of funds and of intolerable incompetence are very hard to prove, especially in view of the clean bill of health recently given the administration by investigators sent down from Washing-

ton. As for the so-called censorship of the press, the stanchly anti-Pearson *The Emancipator* still makes its appearance in St. Thomas three times a week, along with the three daily papers. Not many weeks ago *The Emancipator* stated bluntly that Drew Pearson, son of the Governor and author of *Washington Merry-Go-Round,* was working to remove Judge T. Webber Wilson, anti-Pearsonite official in the islands, "simply because he does not fit into Governor Pearson's dictatorship schemes."

Other antagonism comes from those who see in the administration's plans an encroachment upon the boundaries of private business enterprise. They cite the fact that when the charter of the only local bank, a Danish institution, expired in 1934 the RFC jumped in to acquire $125,000 of the $175,000 capital of the new bank. In reality, however, strenuous efforts were made to bring the National City Bank or the Chase National Bank to the islands, and only when these institutions demanded government guarantees as well as the right to charge 10 to 12 per cent interest did the RFC take action.

Still others claim, paradoxically, that the administration has unduly favored the West India Company, the privately owned docking, coaling and power concern in St. Thomas, and point to the fact that electricity for lighting costs 15 cents per kilowatt hour, for power 8 cents. It seems, however, that there is a contract for the supplying of electricity at these rates which has still some time to run. Not a few government officials, moreover, believe the charges of the West India Company for these and other services to be excessive, and intend to move for a readjustment as soon as possible. The company employs a good deal of local labor, and its complete withdrawal would be a minor catastrophe.

Since the prime difficulty of the islands has been lack of capital, it may be assumed that no deliberate moves to frighten away private investors have been made or will be made. But it may be assumed also that the islands will be made self-supporting and that the standard of living will be raised. If private capital will not further these aims, public capital, it has been shown, will do so. Although during the past three years municipal revenues have been increased 13½ per cent, largely by increased taxes, and Federal contributions to the municipal deficits have decreased 31½ per cent, there is still an annual deficit to be met by the American taxpayer—not to mention the large appropriations made necessary by the world-wide depression.

It is said that the Virgin Islands import over 75 per cent of their foodstuffs, although the surrounding waters teem with fish and the soil can bear three crops a year. Unemployment is still high, living conditions in many quarters still deplorable. But a Republican-appointed administration which providentially happened to be sympathetic toward the best principles of the New Deal is working hard to lift the Virgin Islanders above their difficulties, and thus far much has been accomplished. For the mistakes in judgment of Governor Pearson and his aides one may, according to one's point of view, blame or extenuate. On the question of their devotion and sincere purpose, however, there does not seem to be room for an honest difference of opinion.

America's Strength in the Air

By ELBRIDGE COLBY*

WHAT is the status of American military aviation today? During the World War our flying forces in France, despite extravagant claims and promises, were extremely meager. In 1924 the Secretary of War advised President Coolidge that 80 per cent of our planes were unsuitable for combat purposes. In 1934 a special investigating board headed by Newton D. Baker advocated immediate financial support for a ten-year development program, thus implying that American army aviation did not hold the position it should.

Yet much has been accomplished in recent years, for the airplane has become a vital factor in warfare. Before 1914 military aviation was occasional, uncoordinated with basic operations and perhaps even positively inefficient. It required the urgency and the stimulus of a struggle like the World War to bring this new invention to a useful stage. From the time that German planes first dropped bombs upon Lunéville and British planes first winged home with valuable information for their commander, aerial activity took an increasingly important part in military operations.

Observation for the correction of artillery fire, the searching for data concerning troop movements and concentrations, the destruction of important bridges and rail centres—all these tasks were assumed and regularly carried on by air forces as they became more and more part of the contending armies.

Since 1919 two schools of thought have struggled for supremacy in determining the utility of military aviation. One looked upon the airplane as a new and separate implement in war, holding with General J. F. C. Fuller of the British Army that wars will be won by striking beyond the armies and at the peace and security and the will to fight of the enemy nation. This would involve long-range bombardment of centres of civilian population and manufacture.

In America this school won the allegiance of General William Mitchell, who, insisting that aviators had different views from other soldiers, secured for them special pay and different uniforms, and sought their complete divorce from all other war-making agencies of the government. According to these authorities, airplanes could render navies obsolete by sinking all surface ships and could decimate armies by their sudden destructiveness. The extremist position was that of the Englishman who imagined Britain brought to her knees by gas-masked aviators landing in London, stupefying Parliament with a melancholic gas, and thereby achieving sudden victory, or that of the American Assistant Secretary of War who feared that enemy planes might fly from Europe undeterred and reduce St. Louis, Mo., to ruins.

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The opposing school of thought argued that military aviation was only a part in the general scheme of national defense, and cited the attitude of General Pershing as set forth in his final report as chief of staff: "During the World War extravagant tales of havoc done to enemy cities and installations were often brought back, in good faith no doubt, by some of our aviators, but investigation after the armistice failed, in the majority of cases, to verify the correctness of such reports." This school desired to foster the air service, to make use of fast and efficient planes, but insisted that since planes were dependent upon the ground forces for their supply and support, they were in the last analysis only auxiliaries—although very valuable auxiliaries—of the major fighting power of a nation which actually takes, occupies and holds territory.

The Baker board in its report in 1934 deplored this protracted theoretical discussion, saying that the recriminations and individualistic pronouncements have been detrimental to harmony and cooperation, and therefore to proper defense as a whole. The board found that there is now a sympathetic relationship between the Air Corps and the higher command in the army and foresaw that, if satisfactory financial support were given by Congress, a satisfactory future for army aviation was in prospect.

In 1923, when American aviation, both military and commercial, was at a low ebb, when the "economy era" in Federal administration was beginning, the Secretary of War made clear to the President that the sums allotted to the army would not even maintain the material plant and that the economies that were being effected were rapidly causing deterioration. About the same time, at the instigation of General Briant H. Wells, head of the War Plans Division of the War Department General Staff, a board of officers was appointed to study the needs of the Air Service, as it was then called. This board, headed by General William Lassiter, recommended a ten-year development program. The program was approved in principle only; the necessary money was not forthcoming. The aviation officers, under the leadership of General Mitchell, then decided to take their case to the country, and by sheer publicity and education to bring popular pressure to bear. The result was that General Mitchell relinquished his commission, after articles in magazines, "statements" to the public press, and a court-martial for insubordination.

Eventually, in 1926, a board, with Dwight Morrow as chairman, recommended substantially half the Lassiter program, thus going only half the distance the General Staff desired. Congress approved the recommendations and enacted legislation to authorize increases in the Air Corps. The Federal Government undertook to stimulate postal and passenger aviation and to improve military aviation. Opportunities were created for experimentation in airplane manufacture. In consequence the United States became a leader in aviation, and flying became so efficient and widespread and the reserve of civilian pilots trained at Kelly Field so large that our future in the air seemed secure.

The War Department was nevertheless confronted with a difficult situation. Congress had authorized increases in the enlisted and officer strength of the Air Corps, but—the economy mood still being upon the land—had not appropriated funds to pay for additional personnel. As General Douglas MacArthur recently said, this young and ambitious branch of

the armed forces needed encouragement and opportunity for expansion. So, in spite of the lack of money for the task, the Air Corps was increased. Enlisted men, or the grades and ratings of such enlisted men, were transferred to it from other branches. "We sacrificed the older branches of the service and took men from them," General MacArthur said. "We furled the flags of many of the old regiments, and in the regiments that were left we cut out battalions, and in the battalions that were left we cut out companies." One historic unit after another was rendered "inactive" or was abolished. By such measures on the part of the General Staff the personnel of the Air Corps grew from 8,524 in 1923 to 13,497 in 1933, while that of the infantry, artillery and cavalry declined. The army, among those of other nations seventeenth in total strength, had become approximately third in air strength.

Congress had authorized an effective air force by the act of 1920, but had not backed up its authorization with funds. It had again authorized an improved air force in the act of 1926, and had again not backed up this new act. Yet the army at large, under those whom the Baker board called the men "responsible for our national defense," went as far as it could, even at the cost of creating additional deficiencies elsewhere. Thus, while the navy was standing still and not laying down a single ship and while the "ground" troops were cut and almost decimated, the Air Corps grew to take a leading position in the world today, and American civilian aviation grew along with it.

The five-year program of the Morrow board ended in time, if not altogether in achievement, in 1933, and the General Staff again took up the matter. A new board, headed by General Hugh A. Drum, suggested a General Headquarters Air Force and a new program, which in 1934 was endorsed by the Baker board. But, once again, the question of Congressional appropriations arose. In January, 1934, speaking before a Congressional committee, General MacArthur asked the legislators to add the proposed amounts to the already existing totals. The Congressmen specially charged with military affairs asked the general if he did not wish to recommend increases at this time for other branches. The reply was: "I do not wish to prejudice this special feature by involving other general subjects which would probably succeed in killing this."

In April, 1934, the Baker board began its study of the whole problem and recommended in general the kind of development our military men desire. A major feature of its report placed responsibility for defects and shortages in armaments directly at the door of Congress. It was pointed out that the hands of the War Department were tied by directions to submit financial estimates only within the limiting figures established by the Bureau of the Budget, but it was also pointed out that Congress had the power to investigate and to appropriate, and that that body could thus make effective the next steps in the building of America's air forces.

"In general aviation," said the Baker board report, "the United States leads the world; it is superior in commercial aviation, its naval aviation is stronger than that of any other power, and with more financial support its army aviation can be raised to a world position equal to that held by our navy." This may sound very vague and general, but it is true. An air force must be continually modernized and rebalanced if it is to main-

tain complete efficiency. Mere figures are no guarantee of efficiency; a well-balanced force today may be less useful next year through deterioration or through the development of new types of machines.

One set of figures recently compiled estimates the air strength of the six leading powers as follows: France, 3,000; Russia, 2,800; the United States, 2,468; Japan, 1,600; Italy, 1,500; Great Britain, 1,400. But these cannot be considered reliable indices of national air strength. Russia, for instance, is speeding her aircraft production; Italy has announced that she will build 1,500 new ships, which may serve as replacements or may be added to the number now in service.

What sort of planes, then, do we have today in our admittedly fine Air Corps, and what are their uses? Let us omit from consideration the training planes, not really suitable for combat purposes.

Most valuable in war, no doubt, is the observation plane, a relatively slow traveler, making approximately 160 miles per hour, with a "ceiling" of about 20,000 feet. It is used to observe enemy troop concentrations and troop movements, to "spot" and correct artillery fire, to report progress of front-line action to the nerve centres that are command headquarters in the rear. The observation plane may fly far into enemy territory and come back with vital information, or may hover over a battle area and serve as an advanced pair of eyes for the generals who direct or for the gunners who aim the artillery. Planes of this type are usually assigned in small units of a single "flight" each (three planes plus replacements) to the combat divisions. Their task is to help the ground troops, and although armed with machine guns for self-defense, their essential equipment consists of a radio transmitter, signaling equipment and an aerial camera.

The observation plane is not fast or facile enough to protect itself against enemy planes. So there is a second type, the pursuit plane, whose mission is to secure control of the air, to drive off enemy planes and to protect friendly observers. It is fast, making approximately 234 miles an hour or more, a quick climber, with a ceiling of about 25,000 feet, easy and apt at manoeuvre. Its function is to shoot down and destroy enemy planes. It is the torpedo boat destroyer of the air.

Third is the attack plane, of low ceiling and 177-mile speed. Its function is to attack ground troops, either with its six machine guns, or with its ten 25-pound fragmentation bombs, which may work havoc on troop concentrations or small supply or ammunition depots. The weight of its load prevents its having the speed of a pursuit ship but leaves it fast enough to surprise ground troops by sudden appearances.

Fourth is the bombardment plane, with a ceiling of some 18,000 feet, a speed of over 160 miles per hour, capable of carrying huge loads of bombs and a large supply of gasoline for long trips. Its function is the destruction of enemy ships, important well-protected enemy fortifications, bridges, factories or railway installations. It normally operates at long distances.

It will be seen that observation planes are actually attached to the ground troops and that their officers should know ground tactics and cooperate with fighters on the ground. The observation planes naturally belong to a division. It will likewise be seen that the other three types need not, and indeed should not, be tied to ground divisions. They may be needed at any part of the front at any hour. With airdromes well in the rear, these

planes must be ready to take the air and drive off enemy attackers, to strike destructively at enemy concentrations or delay enemy troop movements, and to deal vital blows at important centres at the correct time.

To secure an air force thus organized, the War Department last Summer announced the formation of a General Headquarters Air Force, commanded by an experienced Air Corps officer and consisting of bombardment, pursuit and attack planes, in addition to a few lighter-than-air craft. Division observation air units were left under divisional control, and training planes and school ships under distinctive Air Corps management. At about this time all field forces in the continental limits of the United States were assigned to four Field Armies, and all troops in the United States which would form the first line of our defense were allocated to skeletonized, mobile headquarters. Designated Field Army commanders were given jurisdiction over mobilization plans and training programs of all troops allocated to their respective armies, whatever "Corps Area" might chance to contain them. To insure coordination of training with units with which they might have to fight, this important regulation of July 3, 1934, specified that all General Headquarters units (namely, heavy artillery, hospital installations, chemical warfare troops, etc.) should be available to army commanders for army training "except those of the G. H. Q. Air Force."

Assuming adequate replacements of planes as they deteriorate, we can therefore now say that the Army Air Corps is equipped and organized and allocated to duties that will make it an efficient part of our national defense system. In strength it may not be the equal of the air forces of other nations, but it is more nearly the peer of any than are the ground troops with whom it will cooperate.

For years our fliers have been improving their tactics and technical devices. They have trained large numbers of civilians, keeping them in touch with occasional active duty as reserve officers and feeding them to the commercial lines in an unending stream. The three "wings" of the General Headquarters Air Force—one in California, one in Virginia and another capable of concentration in the central part of the country, and all capable of speedy concentration in any one of the four Field Army areas which may be threatened—are ready to take the air and strike vital blows at any possible foe. In addition, other planes are attached to ground troop units, to furnish close-in observation and protection. There will be some delay before ground installations and supply units can be shifted from home stations to bases in the theatres of operations, but the plans for making such shifts are being perfected. If deterioration is forestalled by adequate replacements and training of personnel improves as present prospects seem to indicate it will, our air force should be at all times ready for its task.

The air force cannot bear the entire burden of national defense, but it will do its job and do it exceedingly well. The people of America are not ready to expend unconscionable sums for overwhelming aerial superiority; yet within such limits as the men at the purse strings indicate, the Air Corps of the future bids fair, as the recommendations of the Baker board are one by one put into effect, to attain to new dignity and even higher efficiency.

The Voice of the Soviet Village

By ANNA LOUISE STRONG*

THERE is no fixed day for Soviet elections; an announcement from Moscow, modified by each province, fixes the date within a certain week or ten-day period. It is only necessary that a village election be finished in time for the incoming Soviet to take part in the provincial elections, which in turn must be held in time to send delegates to the All-Union Congress of Soviets. The whole process has to be completed in about six weeks in order that the great Congress may act swiftly on the mandates received from factory and village. Remote districts in Northern Siberia whose delegates take two months to travel to Moscow must naturally elect them earlier. Fishing fleets that put out for cruises into the Winter Arctic choose their Deputies before they sail.

In Gulinka, a village overnight by train from Moscow plus a two-hour walk through the mud, there was no reason for rushing the election. But Maria Kurkina, the village President, thought the holidays on the anniversary of the Revolution offered an excellent chance to hold both an election and an Old Home Week. "We are rather a backward village," she said. "We have only a four-year school and frightful roads and no electricity yet. But we've stirred up in these past four years a lot of public spirit that is ready for great achievements. Most of us have not seen the world and don't know the many things there are to get. Yet from our backward Gulinka no less than fifty people have gone to honorable tasks in our Soviet country—some engineers, an army commander, a doctor, a surveyor, an assistant editor, the foreman of the marten ovens in Stalingrad, many promising students and several other notables. Let us invite them to tell us what is this Soviet power and what it offers. Let them tell us the shortcomings of our Gulinka, that we may know how to instruct our Deputies; then we shall be behind nobody in all new blessings there are to acquire."

Every one in the village thought the idea splendid, and as there was no opposing voice President Kurkina went to the township election commission and asked that commissioners be sent to see that Gulinka's election was held properly. "All your grain deliveries in?" asked the township commission. "Potato deliveries too? No village campaigns unfinished? No work which the outgoing Soviet has still to do? Then hold it when you like; it's your affair. Have you made your report yet?" "Made it and printed it, and every one has discussed it," Kurkina replied proudly, producing a neat little folder, *My Report to the Voters*. Such reports, though not always printed, are made by all Soviet officials to their constituents. The reports, telling how the instructions given at the previous election have been carried out, must be discussed at least a week before the voting so

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that the election meeting may confine itself to candidates.

Kurkina's report was homely enough in its details. Nowhere in its sixteen printed pages did she brag of her own work; nowhere did she ask for votes. She told of great improvements in the village and described how they were accomplished.

"During your daily work you hardly notice how life is changing," President Kurkina's report began. "But when you look back to sum up these four years you note a very great difference in our life, our village and our people. Many new brick houses replace the broken huts. A radio central receiver gives Moscow concerts to our homes. Outside the village great brick structures are rising—the stables, barns and granaries of our collective farms. Cottage windows that formerly frightened one by their blackness are bright with flowers and white curtains. People also are changing. The children of former farmhands become doctors, engineers, commanders.

"I am a woman. I know the old priests' proverb: 'A chicken is not a bird; a woman is not a person.' Four years ago when you elected me, men met me on the road with grins. Even to my face they told me that I could do nothing. 'That solid man, Peter Zhitov, can't run this village and you, a woman, try!' I wept sometimes from the insults and thought of giving up entirely. But I remembered Lenin's word that every kitchen maid must learn to rule the State. That applied to me, for I worked from the age of 12 as cowherd and later as kitchen girl at General Solomon's. And I said: 'Who will ever make over this old life unless we ourselves do it?' "

Then Kurkina told of her first failures, when the kulaks packed the village meetings and cut the taxes and grain deliveries to the point where no cultural activity could grow. Her first light came from the township secretary who told her: "You'll never do it alone. Organize active ones around you who want things for the village." Kurkina had organized seventy-eight such "active ones"; one-eighth of the 612 adult voters of Gulinka were doing volunteer government work on village committees. There were five sections of village work — farming, livestock, culture, roads and finance. Kurkina listed them all and mentioned those of the village soviet who had handled them and what the "active ones" had done.

The Farm Section had conducted farming courses in each of the three hamlets that together make the village. It had introduced wheat sowing, which now gave a crop of twenty-four bushels per acre. The village had been reorganized into three collective farms, comprising 208 of its farming families, only eighteen "unorganized peasants" being left.

"No horse in our whole village is underfed and most are very well fed," continued Kurkina, giving the result of the Livestock Section's campaigns. She noted the increase of pigs from 32 to 207 and of sheep from 895 to 1,087 through the "special Stalin drive." Horses had increased and were going to increase faster. "Never has there been such good attention to servicing the mares, and we are now able to release them from work when they are in foal."

The Culture Section counted a well-repaired school and a new library of 600 books among its recent achievements and 514 newspapers taken by the 226 families. Besides these there were eighty-eight children's newspapers. "Our dramatic club gave thirty-five performances; our choral club got first prize in the township com-

petition; our stringed orchestra took part in the provincial competition and won honorable mention." The Culture Section had also directed the young people in a campaign for clean houses and "already we have villagers whose homes have rugs, upholstered chairs, wardrobes, flowers and curtains; 150 houses have been whitewashed."

Roads were still bad, but an old pontoon bridge had been replaced by a solid bridge and about a mile of new road had been built to the next village. "Finance" was strong. Kurkina had received a special diploma from the Central Commission for Assisting State Credit. An active corps of twenty-one volunteers, each attached to ten households, had collected taxes and loan subscriptions so well that "in four years no one in our village has been fined for delays in payment."

This homely chronicle concluded with the village children who had gone "into the great expanse of our Socialist fatherland, doing useful work. Who would have thought that children of farmhands could become engineers and commanders? Who would have dreamed that all this could happen to Gulinka?"

The 22-year-old editor of the *Tractor,* the newspaper issued by the nearby Tractor Station which supplied Gulinka and a score of the other villages with tractors, machines, farm courses and general information, featured "Gulinka People" in a whole page of anecdotes and pictures. He was a clever youth who knew how to pick his stories. He pried into the old church records for ancestors and brought them out for contrasts. "The peasant of Lord Ertov, orthodox in faith—his grandsons are now three engineers." "The serf-woman of Golovin, listed thus by the church, produced descendants of whom Sergei is a land surveyor with university education, and Ivan is studying in the Military Veterinary Institute and Alexander in the Higher Fish Institute of Astrakhan." This was the church four miles from Gulinka which the "political section" of the Tractor Station had made into a theatre for all the villages. The priest had gone away some years ago, and the church remained unused but full of ikons. Then in 1933 the chief of the political section said to the peasants: "Your God has a million churches, and lots of empty ones in these villages; he won't miss an old building like this. But it was built, every kopek, with your own money, and why shouldn't you get some use of it?" More than two-thirds of the "believers" signed the petition, for Soviet laws are strict nowadays against unauthorized diversion of church property if any believers protest. A permit had been received from Moscow to make the building into a theatre.

Home to Gulinka for the holidays came more than twenty of its fifty notables—the foreman of the marten ovens in Stalingrad, students from Leningrad and, most picturesque of all, the ex-criminal Rudniev, who had twenty-five convictions to his discredit till the day when he went to the township police, saying: "I'm a man destroyed, but I want to improve. Send me somewhere to make me over." They sent him to a house of correction, where he became an able mechanic and whence he graduated into honorable work. Later he had married the village doctor, and was now again studying; he would graduate in a year as a full-fledged mechanical engineer. Nobody made a sensation of Rudniev, but he was there as a living example that any one might be "made over," and that the village could also be made over.

At last election day came. Gulinka had 1,269 inhabitants, but an even half of these were children. There were 612 adult electors. Three adults were listed as "deprived of vote"; they were the two old priests and the wife of one of them. Four years earlier when the list of "deprived ones" had been made for the last general election there had been also twelve kulaks and a trader. But the trader had died, the two worst kulaks had been "sent away" and had not returned and the remaining kulaks had redeemed themselves by honest work and were now voters. To replace the fifty who had left the village, 41 boys and girls had reached 18 and were now for the first time voting.

No building in Gulinka could contain all voters. Four sectional meetings were therefore held, three in the outlying hamlets and one in the central school. Each of these assemblies had its list of voters and a number of deputies to elect—one deputy for every group of forty or fifty voters. Thirteen representatives—one for every hundred inhabitants—comprised the village soviet.

The central election assembly in the school was slow in starting; it was called at noon, but by 2 o'clock stragglers were still arriving. Two adjoining rooms, which contained an exhibition from the Moscow Museum of the Revolution, became the centre of the waiting crowds. The woman in charge explained that small traveling exhibits were being sent around to energetic villages, not only to show what existed in Moscow, but also to collect local exhibits and set up local museums.

The meeting grew restless; soon there would be a demand for action. This assembly had a list of 235 voters and only 175 had yet appeared. Worry came into the eyes of Maria Kurkina under her tan wool shawl. Messengers were sent in all directions. One returned and hope came back to the eyes of President Kurkina. "The workers from the vegetable drying sheds were sent to the wrong meeting," she announced. "They are on their way; that will give us forty more. We shall begin when they get here."

"This is always the slow meeting," grumbled a woman near me. "The farm brigades have easy assemblies, but we have to wait for teachers and doctors and workers from drying sheds and State farms, and all the unorganized individuals."

The workers from the drying sheds arrived, together with a few more individuals. Maria Kurkina and the township representative took their places on the stage. "We have 227 of our 235 electors. We consider that we can proceed with 97 per cent." Relief settles on the gathering; they will not make a record for attendance, but it is an election without scandal.

A presiding officer is elected over the protest of the man proposed for the honor. "We're starting too late," he complains, "and I shall have to leave to bring in the village cows." The order of the day is announced and approved. Seven members of the village soviet and two alternates are to be elected, two members of the auditing commission and two alternates, and the statement of instructions is to be given to the incoming soviet. Maria Kurkina reads the election law whereby all persons over 18 years of age who are engaged in useful labor or who do housework or who are incapacitated for labor may vote. She calls upon all "deprived ones" to leave the meeting; this is formality, for the two old priests and the priest's wife have dropped out of village affairs.

"We now present the list of candidates who have been investigated and recommended by the Gulinka party organization and the Young Communist League," says President Kurkina. She reads a list and checks the scattering applause which has started. "Any more candidates? Speak up! Give us names! Be active!" There is a pause. Under Kurkina's urging a man in the rear arises to respond. He takes the floor and begins a long harangue about his troubles and successes in organizing a collective farm. It is quite clear that he has been drinking to the point of mild befuddlement. His neighbors pull him down, but they do not throw him out of the meeting; he has a right here unless he grows violent.

A man rises: "I think there ought to be a representative from the drying sheds; they have forty workers. And I think the new State farm should be represented." "Candidates, please. Name candidates," says Kurkina. "The committee did not think that the drying sheds have yet developed any special demands aside from the rest of our peasants, but if they have, let them name a candidate." Strunin from the State farm and Sadovyev from the drying factory are named. "Any more candidates?" persists Kurkina. "Vote, vote, vote," calls the crowd.

"Mihailov first—who has anything to say about Mihailov?" A man says: "Mihailov is a good worker, experienced in our village affairs." Silence falls, broken by the representative of the township election commission. "Hasn't any one in this meeting any opinions? I see you are just dumbly electing him." This annoys them and a group of women dissent with vigorously shaken heads.

"No, not dumbly," protests one of them. "Mihailov did good work on the roads." Hands are called for. Mihailov gets more than three-fourths of the hands raised. "I wouldn't call them overenthusiastic for you, Comrade Mihailov," says the township representative, "but it seems you are going to get in."

Enthusiasm develops over Menshina, a woman. "I've worked with her three years on all kinds of public work," declares an elector, "and she does everything assigned her energetically and conscientiously. Checking collective farm property, testing seeds, collecting State loans. She works boldly and fights down indifference and backwardness. She also does good productive work in our field brigade, all of whose members want her. [Scattering applause from the field brigade!] Such a member is an asset to our soviet." A regular forest of hands goes up for Menshina. Three times the chairman tries to count them, but even the help of four assistants is not enough to disentangle all the hands in this crowded room. "It will be simpler," he sighs, "if those who didn't vote for Menshina will raise their hands." Two hands go up. "I'm new in this village and don't know Menshina," explains the raiser of one of them.

Pankvashin comes next, recommended by his supporters for "the good work he did in the grain deliveries and in finance," and then Kosarev, of whom they say: "He does well every job assigned him; he's been in the soviet since 1931." Sharkova, the head of the mothers' consultation, is especially pushed by the women. "We need a sanitary expert to clean up this village." Mishutkina is a new candidate, a girl in her early twenties, recommended by the members of her collective farm. "Our best champion; as a volunteer on the commission that investigated the hospital, she listed

its shortcomings better than any member of the soviet." Two speak in glowing praise and a third arises. "Want to criticize Mishutkina?" asks President Kurkina. "No? Well, she's had enough praise. You'll ruin the girl!"

The next candidate meets with criticism. "Claudia has too long a tongue," a man declares. "If she is on the soviet, everything that is done there will be chattered all over the village." "That's good," declares the township representative. "But she tells all the secrets." "We haven't any," announces Kurkina. "She ruins reputations," persists the man. A woman rises: "Claudia is accurate, educated and keeps accounts well. Her tongue is too sharp, but that's no great harm. This village needs some one to wake it up." Claudia gets some three-fourths of the voters; she and Mihailov seem to be the least popular among the candidates.

Then Strunin comes, first of the independent nominees. His sponsor says: "Strunin is head of our brigade on the State farm; under him we got a fine harvest yield." A middle-aged woman rises: "Strunin may get production, but he scares his workers. I know several who left his brigade without waiting for their pay." A murmur of protest rises against Strunin. He gets twenty hands for and twenty-five against; he is defeated, for few people know him. The second independent candidate, manager of the drying sheds, asks permission to withdraw his name. "I'm new and not well known to the village. I don't know why this comrade wants to recommend me. I am not aware of any special demands for the drying sheds." A forest of hands allows him to withdraw without a formal rejection. One wonders whether those nominators were seeking the favor of their bosses; if so, they did not guess well.

Now come the instructions to the incoming soviet. The visitors and Kurkina have evidently stirred desire for improvements in Gulinka. "To bring our harvest yield up to thirty bushels per acre within two years; to organize a stud farm; to get electricity and radio into every home; to build a House of Culture and a theatre with sound films; to organize a branch of adult education courses from the Tractor Station; to open a House of Sanitation; to start a multigraphed newspaper; to compile a history of Gulinka; to add a laundry, barber shop and tea shop to the newly opened public bath; to establish a branch veterinary station; to organize a model cooperative store; to organize a skiing team and a football team; to make a landing field for small airplanes so that all the farm campaigns which go by air will come to Gulinka."

"We need a well-equipped fire department," says a man; "and a seven-year school," adds a woman; "and a dentist in our hospital," says the doctor.

The instructions are adopted. They are not formal election pledges; they are the mandate to the new soviet. Thus armed, the soviet is expected to invade township and county and provincial headquarters with "the demands of our voters." They are expected to organize the voters themselves to carry through this program, obtaining help wherever and however they can. Their demands will be pooled in township and provincial elections until the All-Union Congress of Soviets knows how many Gulinkas are demanding electrification and airplanes and how strongly they are prepared to work for their demands.

Our Philosophers

By SIDNEY HOOK*

AN impressive shift in the current of recent cultural life in America is observable in the increasing interest in philosophy by students, educated laymen and leading scientists. A number of not altogether unrelated factors seem to be changing the river bed of cultural interest. The depression and the restriction of vocational opportunities for youth have, if anything, increased interest in "ultimate" problems; the revision of the curricula of colleges and universities throughout the country has made central the questions of what to educate for, and why; modern developments in mathematics, physics and other natural sciences have led to such an overhauling of fundamental concepts that the scientist, in order to understand his own technique, is compelled to engage in that "stubborn attempt to think clearly" which William James called metaphysics.

The widespread interest in the publication of the *Collected Papers* of Charles Peirce, the Nestor of modern American philosophy, *Art as Experience* with which Dewey has crowned his system, the posthumous essays of G. H. Mead, some volumes by M. R. Cohen, the founding of the new philosophy journals—these are only some of the events betokening the intellectual stir and activity among American philosophers.

The works of Charles Peirce afford a convenient perspective from which to make a survey of the recent past and present. Keats has been called the "poets' poet"; but if any man is entitled to the honor of being known as the "philosophers' philosopher" it is Charles Peirce. Long before he was discovered by the popularizers of philosophy, he was hailed by William James, Josiah Royce and John Dewey as the source of some of their most fruitful principles. Europe took note of him sooner than America, and today younger philosophers are turning more and more to his work to explore the rich veins of insight which run through the half-finished and unpolished blocks of the system he did not live to complete.

His literary remains, however, definitely establish that out of the welter of ideas—all fresh, capable of further refinement, and some downright contradictory—the one to which he clung most steadfastly in his long philosophical career was his experimental theory of meaning and knowledge. It was precisely this theory which had the greatest influence upon the subsequent development of American philosophy. It was the lever by which it [illegible] itself loose from the incubus of [illegible]gy, rationalistic psychology and traditional metaphysics of absolute idealism and mechanistic materialism, both of which taught that the universe was a logically interrelated and completely closed system, novelty unreal, and human effort nothing but the pre-determined pulse of energy by which the inescapable future was realized. Peirce's principle directed American thinkers to the philosophy of

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science and to the problems of measurement, probability and definition which are at the heart of scientific method. And despite the significant differences between James, Royce and Dewey, it was on this common principle that all of them built.

There is nothing revolutionary in what has come to be known as the pragmatic principle. Its roots are to be found in homely reflections upon ordinary experience expressed in such maxims as "By their fruits shall ye know them." Indeed, Peirce himself characterized it as a kind of "critical common-sensism." But what is revolutionary is the attempt to state the principle precisely and to apply it to every field in which words are used as signs of ideas rather than of feelings. It means to carry scientific method over into every object which presumes to give us knowledge, and to entrust it with the power of life and death over the cherished symbols, dogmas, slogans and easy generalizations of discourse. And what can be more revolutionary, if we intend by that much-abused term a process by which we establish whether our words make sense or not, and clarify to ourselves and the world at large what we mean and what we want?

Since there can be no rational organization of life and society without a clear knowledge of our purposes, Peirce recommended his maxim as a guiding principle of morality as well. One glance at his statement will reveal its far-reaching implications. "Consider," he writes, "what effects, that might conceivably have practical bearings, we conceive the object of our conception to have. Then our conception of these effects is the whole of our conception of the object."

At one stroke it restores the connection between the abstractions of science and the processes of human activity, drives the old and new gods of theology out of the world of fact into the realm of poetry, banishes mysticism from biology, relates consciousness to patterns of discriminate behavior, and in every situation enables us to determine whether we are entertaining a legitimate hypothesis, which is subject to direct or indirect verification, or whether we are permitting sonorous but actually meaningless phrases to be fobbed off on us. It is the theoretical equivalent of the American "argument from Missouri."

To be sure, the principle must be applied to itself, and its meaning revealed in the way it is used. This will account for the diverse interpretations it received by the different followers of Peirce, upon none of whom he bestowed his unmixed blessing. But for all who accepted it—James, Dewey and Royce—it involved an activist theory of knowledge and truth, a belief that a theory was indissoluble from a tendency or readiness to action of a specific sort. James stressed the particular and immediate aspects of action, Dewey the social, and Royce its essential *incompleteness*. But these differences were derived from their other doctrines and do not obscure the continuity which binds them—together with so many other contemporary American philosophers—to Peirce's starting points.

Philosophy in reflecting the activities of men cannot escape being colored by the common social experiences which serve as the background for both the philosopher and non-philosopher alike. The emphasis upon the activistic theories of knowledge among widely divergent schools is the natural expression on the plane of thought of that which is distinct and unique in American historical experience. The physical conquest of the American continent and the construction of the

greatest machinery economy of all time could have been accomplished only by the application of new methods and techniques, by an attitude which confronted new situations unencumbered with hoary traditions of use and wont.

Culturally America may have lived in the shadow of Europe and repeated its shibboleths in its different sectional idioms, but materially it had to secure its own life by a series of rapid and short-time makeshifts. The necessities of immediate action accounted not only for the ruthlessness with which physical energies were consumed, not only for the insensitiveness, inconsistencies and brutalities with which the frontier was extended, but also for the flexibility and capacity for intellectual readjustment which everywhere marks the opportunism of practice. In the absence of traditional achievements to act as obstacles to further achievements, a certain temper of inquiry was forged which ignored the ultimate pre-suppositions and values of action.

It is significant that not until capitalism had run its natural course was the attempt made by a few American philosophers to bring the pragmatic test to bear upon the whole framework of social ideals within which great technical advances had been made.

William James was not among these. His viewpoint remained that of a sensitive European become pioneer. His primary concern was with his own soul—its nature, career and destiny. This was the source of his strength and his weakness. His strength, in that his ability to objectivize the stream of his own consciousness enabled him to write the greatest and most influential treatise on psychology in modern times. He established the continuity of man's mental life with other natural processes without depriving it of its sense of uniqueness, privacy and immediacy—failure to respect which accounts for our half-conscious resistance to so many "ultra-scientific" psychologies.

But having banished spooks from the mind, his imaginative hunger led him to populate the world with them. His intensely personal nature, kept in strict control when he observed its own functioning, resented the constraints and monotonies of a fixed world order. He not only followed Peirce in his valiant defense of an open universe but his romantic fervor carried him to a theory of will and a justification of the will to believe incompatible with his own psychology.

James had no sense of or respect for the social. Alive as he was to the natural conditions of personality in its every projection, he was quite oblivious to the historical and social atmosphere which supported its flights. The only ills of the world were cosmic—the kind that a pioneer grappling in the wilderness alone would reflect upon if like James he had time, leisure, and a great curiosity about God. There was no need of a social philosophy or program. The worst he could say of the Hegelian philosophy, with its far-reaching social bearings, was that it was too much like an "open seaside boarding house." It affected him like a flourishing community would have affected Daniel Boone. His works are singularly free from any reference to the political problems of his day.

It is not surprising, therefore, that James interested every one but influenced very few. Here and there some technical movement in psychology and education has been fructified by his seed, but, like a true pioneer, he has left no school or disciples—only the signs of his presence.

Josiah Royce, the friend and opponent of James, adapted to a system of idealism a voluntaristic theory of knowledge, that is, a theory which makes purpose and will the directing elements in knowing. In an all-embracing idealistic synthesis, he stressed the principle of spiritual continuity in nature and society, emphasized the importance of organization without denying the existence of chance and individuality, and glorified the hidden harmony which underlay the conflict of wills, and which gave meaning to pain, lack and frustration. His was an essentially conservative philosophy cut to American pattern, in which the crudities and cruelties of an unrestrained laissez-faire economy were rationalized in ambiguous formulas about the identity of the real and the reasonable. That is why he exercised greater influence upon the teaching of philosophy in America than any other man, and why he impressed European philosophers where James only startled them. Today variants of the philosophy of Royce are firmly entrenched in the academic tradition, especially so among teachers of the older generation.

But idealism is everywhere on the defensive. At its best it represents the nostalgic apotheosis of order and the utopian quest for significance in an undirected transitional era. It owes whatever strength it has to its tuneful lyrics to the central importance of consciousness, to its use as a prop for political conservatism and religious tradition, and, finally, to that mixture of consolation and arrogance which is at the basis of the doctrine that man's ideals are woven into the very stuff and texture of the universe.

The commanding position which John Dewey enjoys in American philosophy was originally won by virtue of the influence he exerted on other aspects of American culture. It was not until the rise of the newer tendencies in education, psychology, law, economics, political theory—to mention only a few of the fields—that his colleagues recognized the full import of his technical philosophical doctrines. He has had, on the whole, little following among academic philosophers. Many of them have even denied, on the basis of an arbitrary definition of philosophy, that he is a philosopher.

Of late, however, Dewey's position has been strengthened because, to the amazement of pure philosophers, eminent mathematicians and scientists have been interpreting their own techniques of investigation in terms of the "operational method," a phrase coined by Professor Bridgeman, the Harvard physicist, which has swept through philosophical literature to a wider public. The "operational method" is a more technical equivalent of the "experimental method" developed by Dewey far beyond anything reached in the writings of Peirce and James.

All human thinking, for Dewey, is a form of response of a living creature to some problem, no matter how abstract, found ready at hand. As a mode of response it differs from other biological activities in that by the use of signs it reacts to future eventualities as if they were already present, and, wherever possible, initiates a course of conduct designed to achieve desired ends. Ideas are incipient plans of action, their meaning revealed in the specific behavior they commit us to, and their truth established by their capacity for successful prediction. The formal laws of valid thinking are the most general principles by which we guide and control our behavior, and whatever necessity they possess is derived from the structural relations of the subject-matter to which they are applied. Clear thinking is thinking

with a purpose and end in view, and although specific purposes may range all the way from a desire to split the atom to a desire to make a revolution, we can establish the true meaning of any purpose only through a clear grasp of the means which must be employed to realize it. Thinking is one mode of experience among others. But the nature of other modes of experience, as well as the natural conditions of all experience, is what thinking discloses it to be.

Thinking is not only a biological event but a social event. Social in many ways. The purposes and interests of thinking—and naturally the specific problems—vary with different times and societies. The instruments of thought and their organization, especially after division of labor has been established, depend in many ways upon the level which the forces of production and means of communication have reached. The very method of science is social, for what is accepted as evidence is never constituted by the deliverances of one man's experiences but must be subject to the verification of the whole community of competent observers. The essentially social character of scientific method, for Dewey, is the source, but not the necessary proof, of its objectivity. Its truths, even though neither final nor exhaustive of the nature of experience, are valid for all individuals, classes, races, nations and faiths.

At times Dewey seems to erect a social philosophy on the basis of the implications of scientific method, holding that the widest use of science is possible only in a political democracy, and that the conflicts of interests within it can be negotiated by employing the same logic of tentative definition, suspended judgment and experimental inquiry which has proved so fruitful in the physical sciences.

Not only has thinking a biological and social function, but, mediating between our different modes of experience, it results in enriching the quality of personal life and establishes in and through action additional possibilities for new and significant experience. To accomplish this most effectively is, or should be, the aim of every educational system worthy of the name. Every child is to be provided with an environment in which his natural capacities have the freest scope to flower into activities that are not only immediately meaningful but that prepare him to grapple with the further problems which both condition and result from his natural growth. The school is not to serve society but, rationally conceived, society should be a collection of institutional agencies employed for purposes of continuous education. Education which stops short at an arbitrary age, and society which recognizes as a fixed principle the difference between "earning one's living" and "living one's life," cannot be the proper instruments of democracy in either education or society.

Of all the habits that must be acquired for wide and significant personal experience, the habit of critical thinking which involves the courage to inquire and to experiment is the most important. All life is growth and whoever does not sense this has already stopped living. All growth exhibits elements of the novel and familiar. Critical thinking, therefore, is necessary to human life and growth because it is the only means by which adventure and security can both be woven into the patterns of experience.

This over-abbreviated account cannot begin to suggest the ramifications of Dewey's doctrines. Nor can it indicate the varying interpretations they have received by people whom Dewey has in too kindly fashion permitted to

father their queer intellectual progeny upon him. Criticism has run the gamut all the way from the charge that he is an arch-radical—"Public Enemy No. 1," as one conservative educator recently put it—to empty denunciation of him as an apologist for finance capitalism. The more technical criticism that his philosophy is too utilitarian, that it makes a fetish of action, and loses sight of ends in a narrow absorption in practical means, although not so fantastic, is no more better grounded.

Certainly, activity is a value, but Dewey does not hold that it is the only value, nor a value when it is a directionless discharge of surplus energy. It is not the chief end of life but the chief means by which ends are ultimately evaluated. It is not incompatible with peace, serenity and the allied virtues celebrated by traditional philosophers. But it involves another conception of their nature, place and function in life. They need not be built upon the impoverishment of experience nor sought in saintliness or worldliness. According to Dewey, the peace that really heals and the serenity that is not blind to human suffering can more readily be found in the balanced tensions of action than in the artificial environment of withdrawal.

A closer view of Dewey's thought reveals the presence of certain social presuppositions that are common to almost all American philosophers. The term "social" is used in a large and often vague sense. But it always expresses the concrete interests of the large American middle class whom most philosophers identify with the "public," "community" or "people." This class is opposed to predatory finance capital but is not yet prepared to entertain seriously the ideals of a social order in which not only financial oligarchy but industrial autocracy would be abolished.

Dewey is more alive than his colleagues to the presence of classes and their struggles, but he is inclined to underestimate their significance and to regard class conflicts as only one of numerous other forms of social conflict capable of being settled by the same technique of collaboration and compromise by which other problems are solved. He carries over the optimism of the reform period in which he grew up and consequently does not see the limits which class conflicts place upon "experimental activity" in social affairs. Classes do not experiment to determine what the social consequences of their own nonexistence will be. As a result, Dewey's educational philosophy in which his thought culminates and which obviously demands as a pre-condition the existence of a classless society before it can even be tried, remains an abstract ideal more honored in textbooks than in life.

The great bulk of academic philosophy, however, goes on quite independently of the work of the men considered. Before describing it, however, a few distinctive figures must be noted.

George Santayana, who until recently could have been fairly characterized as the reincarnated shade of Aristotle speaking felicitous English, now seems to have definitely abandoned the Peripatetic Walks for the Academy of Plato. Never at home in America, his recent books show him to be an alien to all earthly shores, haunted by memories of ineffable visions in a Platonic heaven.

An untimely death has interrupted the work of George Herbert Mead, whose researches on time, mind and self have touched and illuminated the central problems of philosophy.

Space forbids treatment of other

and no less interesting philosophers, among whom may be mentioned H. M. Kallen, C. I. Lewis, M. R. Cohen, W. H. Sheldon and F. J. Woodbridge.

None of the foregoing indicates the marked change in emphasis betrayed by the published work of the most recent generation of American philosophers as well as by the nature of their instruction. It has a predominantly formal character, is sternly set against speculative excesses to a point where it affects imaginative insight, and is equally indifferent to old theological issues and new social problems. It may not be altogether arbitrary to associate this absorption in method and formal analysis for its own sake with the limitations upon the opportunities for creative action, and even vocational fulfillment, in contemporary socio-economic life. But in the absence of inspiring social ideals and under the normal pressure of academic conformity, younger American philosophers, with some exceptions, have sought outlets for their intellectual interests either in historical research or, more frequently, in special problems of science and logic.

In ethics and social philosophy a skepticism of the claims of all positions is often used as a justification for not taking any position on major problems. There are some formal philosophers who would cheerfully turn over most of the problems which were the primary concerns of Plato, Aristotle, Locke and Hegel to the social scientists who are reputed to have no conscience in these matters about the logic of definition and implication.

The recent stormy eruption of Marxism in American arts and letters produced barely a ripple on the surface of American philosophy. In part this is due to the essentially middle-class perspective upon social affairs which is so natural to most American philosophers that they take it for granted. Although a few are openly reactionary and would welcome fascism as the only political system which would guarantee "the foundation of decent religion and economic order," hardly any support the interests of the American worker or have contact with working-class movements.

The chief intellectual reason, however, for the indifference of American philosophers to Marxism must be sought in the character of the Marxism which has been professed by "official" Marxists. The first reaction of the average trained student of philosophy to this type of Marxism is to classify Marxist arguments according to types of fallacies. But since American Marxism is young yet, and intelligent Marxists can acquire formal skill in analysis, there is some likelihood, as the economic lot of the middle classes declines, that American philosophy will respond in a few years to the same influences which have swept through literature, art and criticism. When that happens, Marxism will gain as well as American philosophy; the one by a heightened consciousness of what constitutes valid argument and proof, the other, by a glimpse of new values and added possibilities of philosophical exploration.

To revert to the question from which we started out, "What does American philosophy offer to those who turn to it today?" The answer is not imposing systems in the grand manner or paths to personal or social salvation, but, at its best, training in precision of analysis. And since, no matter what one's point of view, there can be no intelligent belief without it, such training must be recognized as so much to the good.

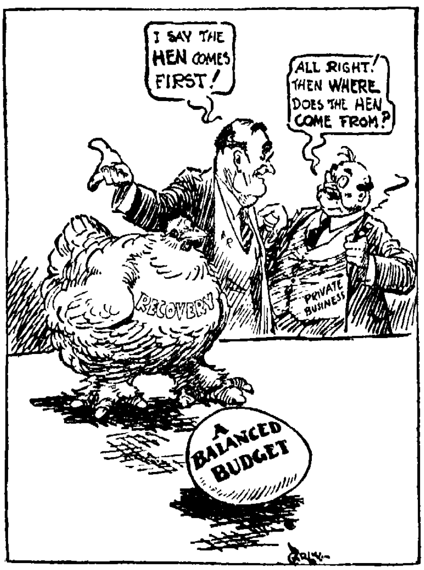
Current History in Cartoons



Energy going to waste
—*Portland Press Herald*



Another uneasy god
—*St. Louis Post-Dispatch*



That old scientific question
—*St. Paul Pioneer Press*



The forgotten men
—*Philadelphia Inquirer*



Over the hills to the soup line
—*Dallas Morning News*



Beginning to catch up
—*News and Observer*, Raleigh



A new way to get there
—*New Haven Evening Register*



"The stark fact before us"
—*Washington Post*



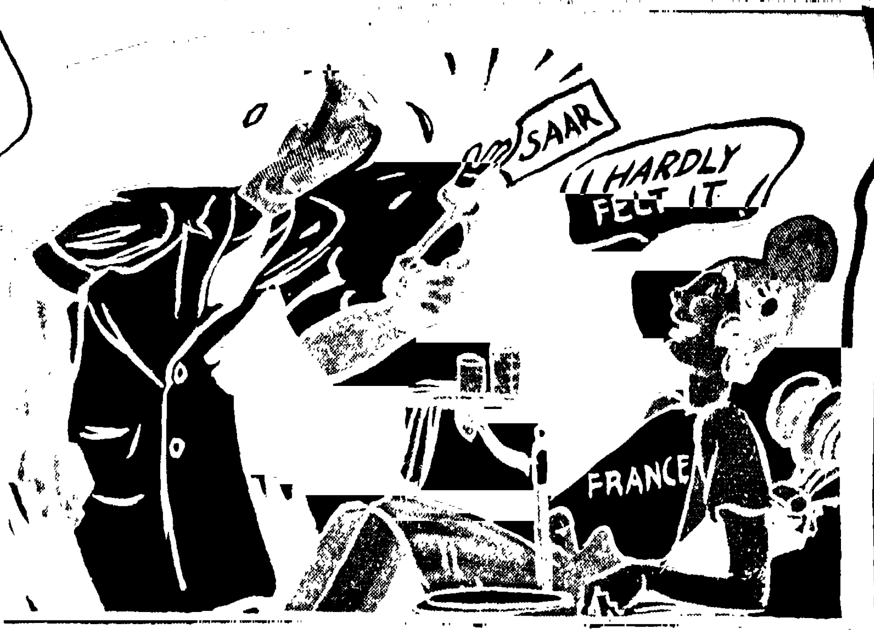
"Ump! Like home best!"
—Philadelphia Inquirer



You stay out there!
—The Sun, Baltimore



Only one answer
—Chicago Herald and Examiner



Painless extraction

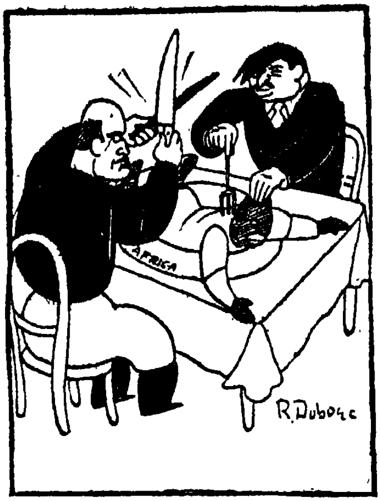
—*The Star,* London



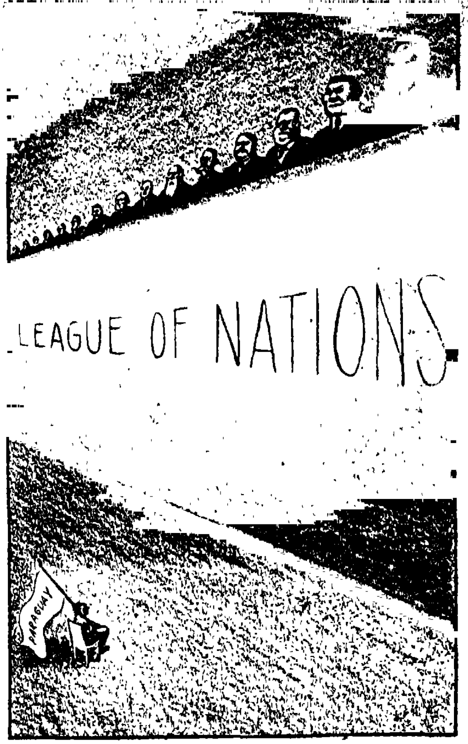
France considers the new Germany
—*The North-China Herald*



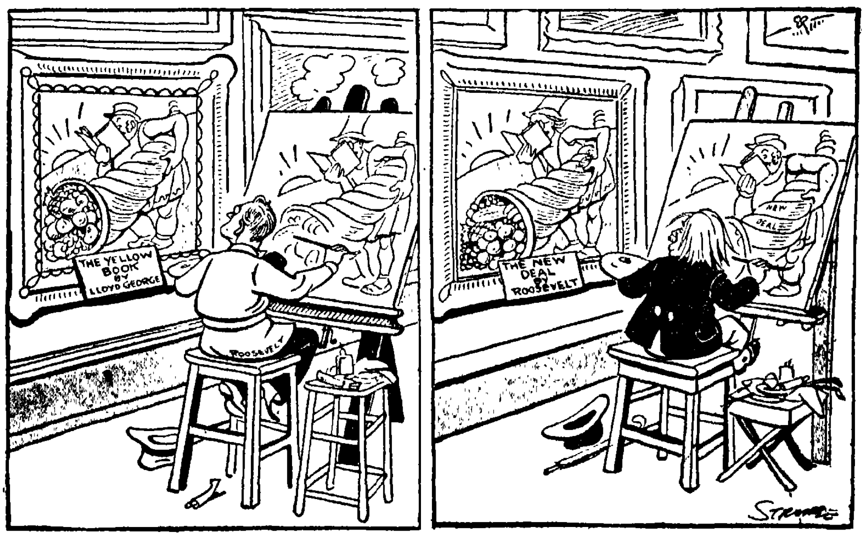
Swelling
—*The Columbus Dispatch*



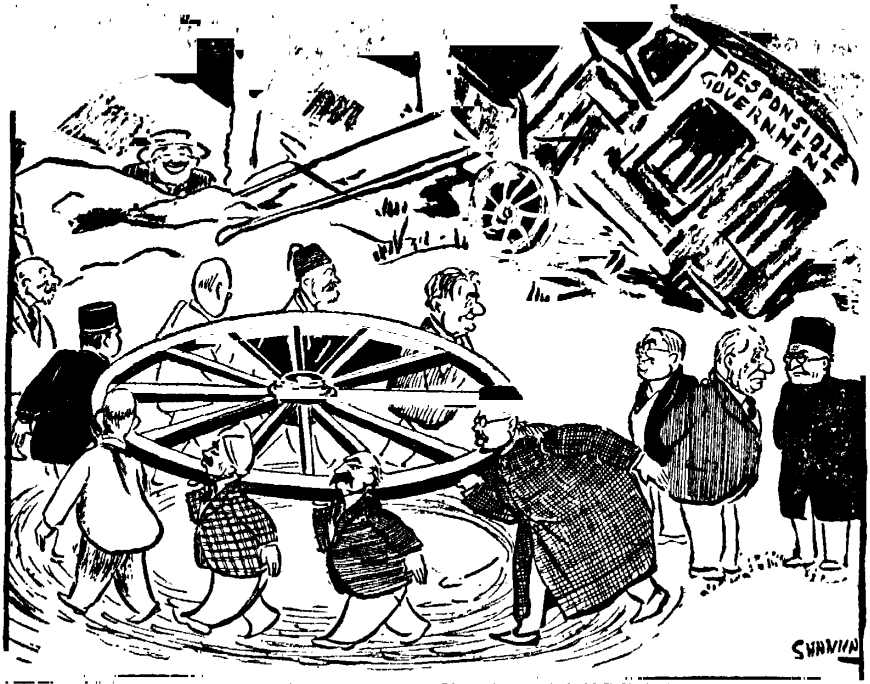
France and Italy come to an agreement
—*Humanite,* Paris



An "aggressor" is found
—*St Louis Post-Dispatch*



In the art galleries
—*Daily Express,* London



"Shoulders to the wheel for India's great new Constitution"
—*The Hindustan Times*



Westward the course of empire
—*Providence Journal*



A difficult choice for Britain
—*Pravda,* Leningrad

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

Jan. 10—Germany rejects British plan for return to League.

Jan. 13—Saar plebiscite held (716).

Jan. 16—League acts to remove arms embargo against Bolivia.

Abyssinia asks for hearing before League Council (717).

Jan. 17—League agrees to return Saar to Reich on March 1 (716).

Jan. 19.—Italy agrees to treat with Abyssinia (717).

Jan. 21—Abyssinian tribesmen invade French Somaliland.

Jan. 28—International Labor Office opens 69th session (717).

Jan. 29—Italians and Abyssinians clash on frontier of Somaliland (717).

Feb. 1—Franco-British parley opens in London (714).

Feb. 3—France and Britain reach accord on arms pact (714).

Feb. 9—General Smuts urges Anglo-American unity in the Pacific.

Feb. 10—Italy mobilizes against Abyssinia (717).

The United States

Jan. 7—Federal Supreme Court rules oil-control clause invalid (724).

Huey Long attacks administration in Senate.

Jan. 8—Steel Labor Board orders elections in three steel plants.

Jan. 9—Senate Foreign Relations Committee reports favorably on joining World Court.

Jan. 14—Supreme Court upholds chain store tax on filling stations (725).

Jan. 16—Roosevelt asks United States adherence to World Court.

Jan. 17—Administration introduces social security program in Congress (718).

Jan. 19—Bureau of Labor Statistics reports on earnings of textile workers.

Jan. 22—President removes newspaper labor cases from jurisdication of National Labor Board (723).

Jan. 24—House passes $4,880,000,000 relief bill (719).

A. F. of L. unions denounce Auto Labor Board.

Jan. 28—William Green attacks jobless insurance plan.

Jan. 29—Senate defeats World Court membership (722).

Labor attacks NRA at A. F. of L. meeting.

Jan. 30—Railroad Coordinator Eastman asks for ICC control of all transportation (720).

Senate resolution calls for inquiry into automobile labor.

Jan. 31—President Roosevelt extends Automobile Code (723).

United States-Soviet debt talks fail (760).

President Roosevelt submits report of Aviation Commission to Congress (720).

Congress extends life of RFC (720).

Feb. 1—A. F. of L. council assails extension of Automobile Code.

Senator Borah prepares Senate investigation of Mexican religious persecution (722).

Feb. 2—United States and Brazil sign trade agreement (731).

Feb. 4—Bill for reforming Federal Reserve System introduced in Congress (721).

Feb. 6—Bills for control of utility holding companies introduced in Congress.

Feb. 7—NRA Division of Planning and Research presents report on labor in auto industry.

Feb. 8—Admiral Cary Grayson named head of Red Cross.

Feb. 10—President Roosevelt signs code for tobacco industry.

Canada

Jan. 9—I'm Alone decision handed down by International Commission (728).

Jan. 17—Canadian New Deal outlined by Prime Minister Bennett (726).

Jan. 29—Unemployment Insurance Bill introduced in Canadian Parliament (727).

Latin America

Jan. 9—Brazilian mission sent to United States to discuss debts.

Jan. 15—Constitutional rights suspended in Cuba (729).

Jan. 28—Revolution breaks out in Uruguay (730).

Jan. 31—Uprisings in Mexican States reported (733).

British Empire

Jan. 9—Indo-British trade agreement signed (736).

Jan. 11—Australia agrees to limit meat exports to Great Britain (736).

Jan. 17—Housing bills published by British Government (735).

Llovd George offers program for British recovery (734).

Jan. 24—Government of India Bill published in London (735).

Jan. 26—Lloyd George asks for public works instead of dole.

Jan. 28—British Parliament reassembles (733).

German-Irish trade agreement signed (736).

France and Belgium

Jan. 8—French Parliament reassembles.

Jan. 10—Bill for organization of industry introduced in French Chamber (738).

Jan. 12—Premier Flandin broadcasts recovery program to French people (737).

Jan. 20—Belgium arrests Nazi agitators in Eupen and Malmedy.

Jan. 25—French Chamber approves short-term bond issue (738).

Feb. 1—Riots occur in Setif, Algeria (740).

Germany

Jan. 24—German Cabinet decrees conversion of 8,000,000,000 marks of public debt.

Jan. 30—Second anniversary of Hitler's coming to power (741).

All German municipalities coordinated under Nazi party (744).

Italy and Spain

Jan. 23—Spanish Cortes reassembles (748).

Jan. 24—Mussolini replaces Cabinet with new Ministers (747).

Eastern Europe and the Balkans

Jan. 14—Hungarian-Yugoslav Commission meets at Udverd (752).

Jan. 22—General Zlatev forms new government in Bulgaria (753).

Feb. 6—Yugoslav Parliament dissolved (753).

Northern Europe

Dec. 21—Indictment of Nazi agitators in Memel read (755).

Jan. 11—Swedish Parliament assembles (756).

The Soviet Union

Jan. 17—Kamenev and Zinoviev sentenced to prison for counter-revolutionary activity (758).

Jan. 25—Quibyshev dies (760).

Jan. 28—All-Union Congress of Soviets opens (757).

Jan. 31—Soviet Premier rejects Japan's plea for demilitarization of Manchurian border.

Feb. 6—All-Union Congress votes electoral changes.

The Near and Middle East

Jan. 8-9—30,000 Egyptian Nationalists attend Wafd Congress at Cairo (763).

Jan. 10—League Mandate Commission rules against establishment of a Jewish State in Palestine (762).

Jan. 14—Formal opening of the Mosul-Mediterranean pipe-line (761).

Jan. 20—President Kemal Ataturk approves first 1,000 words of new Turkish language (762).

Jan. 27—Jewish Agency for Palestine announces resumption of colonization (763).

Feb. 8—Turkish general elections; women vote for first time (762).

The Far East

Jan. 9—Japanese Finance Minister warns of financial costs of Manchukuo undertaking.

Jan. 18—Japan and Manchukuo open drive in Chahar (767).

Jan. 22—Foreign Minister Hirota reasserts Japan's dominant rôle in Eastern Asia (765).

Japan and the Soviet Union reach agreement for sale of Chinese Eastern Railway (768).

The Powers Work for Peace

By ALLAN NEVINS
Professor of American History, Columbia University

WHILE the greatest event in the month's international relations was unquestionably the German victory in the Saar, it was more or less isolated and factitious. The whole Saar question was one of the unhappiest heritages from the Versailles Treaty; getting rid of it was like suddenly getting rid of a splinter in the thumb. The world drew a relieved sigh and Europe turned back to other affairs as from a bothersome interruption.

Much more significant were the Anglo-French conversations which began in London as January ended. They were clearly related to the general stream of British and French policy, and the resulting proposals to Germany constitute a highly important step on the long road that may yet lead Europe to settled order and assured peace. These proposals are one of the boldest moves toward a general European arrangement that have been made in several years.

In must be recalled, in evaluating the Anglo-French conference, that for a full year Great Britain has labored almost without cessation to bring Germany back to the League and to obtain an orderly solution of the disarmament problem. For this purpose the British Government drew up proposals which Germany and Italy found substantially acceptable, but which France brusquely rejected; for this purpose Anthony Eden made his various tours of the European capitals.

Late last Summer the British efforts seemed utterly blocked. Yet Arthur Henderson was not discouraged, and Stanley Baldwin, the strongest single figure in the Ministry, said on Nov. 28 that he hoped the frank discussion of the German air peril might create an opportunity "for a first step toward once more bringing together the nations of Europe." The British have never given up their belief that some arrangement may yet be made to bring Germany back to Geneva, bring France to admit Germany's right to rearm, and institute a general League supervision of armaments.

It must also be remembered that the recent change of government in France has resulted in a somewhat more conciliatory attitude along the Seine. M. Laval, the Foreign Minister, is believed in England to be more reasonable than his predecessor, Louis Barthou. His speech on French policy on Dec. 1, while vague, was certainly less stiff in tone than most of such speeches. He said that France was determined to continue the work of organizing security in Europe, that this organization was the indispensable prelude to any agreement on armaments, and that "Germany ought to contribute to the work of mutual assistance on an equal footing with all other nations." He added that France attached the greatest importance to a close cooperation with Great Britain.

To British observers it has seemed that the time has become ripe for another lusty effort to achieve Euro-

pean stability. The past three months have been marked by a number of encouraging events. Quite apart from Russia's entrance into the League and the peaceful and decisive settlement of the Saar question, several developments have relieved the tension on the Continent.

The murders at Marseilles cleared the air in Southeastern Europe. They enabled the Little Entente to demonstrate its unity and vigor; they proved that the internal troubles of the Yugoslav nation are not at all likely to result in a general explosion. Moreover, the League disposed of the troubles between Hungary and Yugoslavia with remarkable celerity.

Then, too, the new agreement between France and Italy has been of profound importance. The differences between these two powers were numerous, and might have become dangerous had they continued to drift apart. Now they have been almost completely abolished. There is no longer any danger of an Italian understanding with Germany and Hungary based on a demand for treaty revision; no longer any danger of naval competition in the Mediterranean. The independence of Austria is now fully guaranteed, with Great Britain as well as Italy and France ready to support it.

Altogether, there is more sense of order and peace in Europe than at any time since Hitler's bloody purge. This being so, and the atmosphere of friendliness increasing as confidence grows, it was natural to ask whether a new approach could not be made to the issue of German rearmament.

Immediately after the Saar plebiscite the British press began discussing a "new deal" for Germany. On Jan. 12, Sir John Simon and Anthony Eden conferred in Geneva with M. Laval. The London *Times* thereupon expounded a new British plan, aimed at the heart of the situation. Germany demanded recognition of equality as the starting point for new negotiations; France objected to recognizing the accomplished fact of treaty violation as a starting point.

"Very well," said the British, "there is still a way out. Let the former Allied Powers state to the League their conviction that, after sixteen years of peace, the treaty limitations on arms should not apply to any single signatory (that is, to Germany), provided such signatory power, being an active member of the League, requests it to define the terms of its liberation.

The French press was at first suspicious. But after further conversations took place in Paris on Jan. 26 between Premier Flandin, Foreign Minister Laval and the British Ambassador, the two countries were brought closer to a workable plan. Thus the Anglo-French conversations began in Downing Street on Feb. 1. For two days the discussions continued, with the press permitted to know little of what went on behind closed doors.

It was evident that the French were now willing to see Germany given equality in armaments in the near future, and not merely after a five or ten year period. Indeed, since Germany has already helped herself to partial equality, France has little choice. But the French were also understood to insist that Germany return to full League membership, and that German adherence to the Eastern Locarno must precede any formal legalization of German rearmament.

Formal announcement of the Anglo-French proposals was made to the world on Feb. 3, together with a commentary in the shape of a radio address by Sir John Simon. Germany was invited to join in a "freely nego-

tiated settlement." The purpose of this settlement would be to abolish the provisions of Part V of the Versailles Treaty limiting German armaments and to establish in their place "agreements regarding armaments generally"; to bring the Reich back into active membership in the League, and to bring it also into a new pact "insuring mutual assistance in Eastern Europe" (the Eastern Locarno), and into "the system foreshadowed in the Rome *procès verbal* for Central Europe" (the Austrian guarantee). In short, Germany would be accorded equality in armaments only if she would subscribe to the French system of attaining general European security, and maintaining the status quo, by mutual guarantees and League action.

At the same time, France and Great Britain announced that they desired a new treaty which would bind its signatories" to give the assistance of their air forces to whichever of them might be the victim of unprovoked aerial aggression by one of the contracting parties." They intended to ask Germany, Italy and Belgium to join in this air convention, but they intimated that they would make their own defensive alliance against sudden air attack if Germany refused to enter.

On its surface this Anglo-French move has some hopeful aspects. But a little scrutiny shows that it brings Germany face to face with such severe conditions that she is more than likely to shy away. The reward that the British and French would offer the Reich for saying yes to this "freely negotiated settlement" is only the legalization of German armaments, and that is not a strong inducement. Germany is in any case fast attaining the substance of military equality. Legalization would be valuable, but she can do without it. Much more important than the reward is the veiled threat that lies behind the Anglo-French offer. Taken in conjunction with Russia's entrance into the League and the Franco-Italian agreement, the London proposals mean that Germany may soon be faced by an almost solid wall of defensive alliances.

If the Reich refuses, she will be surrounded by an unfriendly cordon stretching from Russia and the Little Entente through Italy and France to Belgium and Great Britain; if she accepts, the wall will dissolve. But, the Nazi aims being what they are, can Hitler afford to say yes? To do so, to enter an Eastern Locarno and to join in the *procès verbal* guaranteeing Austrian independence, would mean that Germany consents to regard all her present boundaries as final.

Such consent would negative a vital part of the Nazi program. The Western boundary of Germany is satisfactory. But the Southern and Eastern boundaries, involving Austria and the Baltic States, are a different matter. In fact, immediately after the Saar plebiscite there was a disquieting renewal of German talk of the annexation of Danzig, Memel and other Eastern territories. It would be a great stroke for world peace if Germany came back to Geneva and accepted the Anglo-French bargain, but it would mark a tremendous renunciation.

It was therefore not surprising that the first response of the German Government and press was extremely wary. Official spokesmen let it be understood that no hurried decisions would be made; that the Anglo-French proposals were felt to contain many diplomatic pitfalls; and that the Reich would move slowly in making what was admittedly the most fateful of its decisions since Hitler came to power. The Chancellor and his For-

eign Minister, Baron von Neurath, began a careful inquiry into the details of the Anglo-French proposals. On Feb. 5 Hitler was in consultation with all his chief advisers on defense and foreign affairs. The air treaty is a comparatively simple matter. But in the other matters a new period of involved and perhaps protracted negotiations seemed at hand.

EXIT THE SAAR

From these uncertainties it is pleasant to turn to a chapter of European history so definitely terminated as the Saar. The result of the vote, declared early on Jan. 15, confounded all prophets, for 477,119 votes, or 90.8 per cent of the whole, were in favor of Germany, only 45,513, or 8.87 per cent of the whole, in favor of the status quo, and a mere 2,124, or 0.44 per cent, in favor of French rule. The largest minority vote was in Saarbruecken and certain suburbs.

Scenes of jubilation throughout the Reich and the Saar greeted the result. Once more it had been proved that economic considerations count for little against the united force of blood, language and political loyalty.

The League Council promptly disposed of the whole Saar problem. On Jan. 17 it awarded the entire territory to Germany; fixed March 1, 1935, as the date for the re-establishment of German suzerainty; and instructed a committee to decide, in consultation with the French and German Governments and the Saar Commission, upon the necessary arrangements for the transfer. It is assumed that the Saar will form part of the demilitarized zone west of the Rhine.

THE NAVAL QUESTION

As was to be expected, the month following the Japanese denunciation of the Washington Naval Treaty on Dec. 29 was marked by a good deal of speechmaking by Japanese and Americans. Great optimism as to ultimate agreement was expressed along with firm determination not to recede from the principles already laid down. In other words, each side is sure that harmony will be attained when the other sees the light! Ambassador Saito, speaking in New York on Jan. 5, reiterated the Japanese demand for vigorous reductions in capital ships, air-craft carriers, and other "offensive" weapons, giving all countries a common maximum limit, and hence making each perfectly secure in its own zone of defense. As he said, that would leave Japan helpless to make any serious attack upon the vital portions of the United States or the British Empire. What he did not say was that it would also leave Japan free to do just as she pleased in the Eastern Pacific and on the neighboring Asiatic mainland, regions where Great Britain and the United States have possessions and economic interests.

The American point of view was stated with moderation but firmness by Norman Davis in a speech to the Foreign Policy Association in New York on Jan. 29. He reiterated the contention of our government that "equality of security" was the real desideratum, and that equality of naval armaments would actually mean the opposite—unequal security. He denied that Japanese honor and dignity require equality in fleet-strength, pointing out that the total Japanese armed forces, naval and military, is much greater than the American or British total. While he was confident that a naval race would be avoided and some agreement reached, he made it clear that our government regards the preservation of the existing proportions of naval strength as indis-

pensable. A "substantial all-around reduction" should be effected in such a way as not to change the relative strength—and the signatories of the London Treaty have until Jan. 1, 1937, in which to reach an agreement.

On the surface, these exchanges are not encouraging, and yet there exists a plain way out. Ambassador Saito said that parity was not Japan's immediate goal. "Japan is by no means claiming that her navy should by a sudden flight of construction become the equal of the American or British Navy in actual strength. We are only seeking our security for the future." Though Mr. Davis did not say so, the United States could doubtless be brought to accept the British compromise. This would abolish the formal treaty ratio and thus salve Japanese pride; but by a gentlemen's agreement it would be understood that the 5-5-3 relation should be maintained by limitation of naval construction in each country. The central question is whether Japan will be wise and moderate enough to accept such a compromise.

INTERNATIONAL NEGOTIATIONS

The tragic defeat of the World Court in the American Senate made January a dark month for believers in international cooperation on the broadest scale. Yet in some fields international action did make progress. The governing body of the International Labor Office, opening its Sixty-ninth session at Geneva on Jan. 28, admitted the first American Representative, Isador Lubin of our Labor Department.

Throughout much of the month representatives of shipping associations of fifteen countries were sitting in London in an effort to solve some of their common problems. On Jan. 18 they initialed an international scheme for the pooling of freight ships, to which it is hoped that the governments of most nations will consent. The plan is that an international body or association shall endeavor to establish a fair relationship between tonnage-supply and tonnage-demand, allocating to each nation its fair share. The owners of all ships in commission would contribute to the international fund for the compensation of serviceable vessels that are laid up under the plan.

An agreement that is more important than it seems—the League Convention for the Regulation of Whaling—came into force on Jan. 18 as a result of ratification by Great Britain. It is expected not only to do much to stabilize a fairly important industry, but to save from extinction a number of the most valuable species of whales. Their pursuit by the great floating-factories fitted out by the British, Norwegians and others, has resulted in the slaughter of 266,000 whales in the ten years 1924-33.

Italy Mobilizes Against Abyssinia

ALTHOUGH Abyssinia on Jan. 24 made a diplomatic gain at Geneva in her dispute with Italy over the boundary of Italian Somaliland, a new crisis arose a couple of weeks later.

The arrival of the Abyssinian delegate to the League of Nations in Geneva on Jan. 10, ready if necessary to appeal to the Council for action against Italian "aggression," at once led to conversations among the British, French and Italian delegates.

For some days the Abyssinian delegate, supported by his French and American advisers, kept the Council uneasy by demanding a public hearing. Finally, on Jan. 24, Italy agreed to abandon her demand for an apology and an indemnity and to negotiate the dispute "in the spirit" of the Italo-Ethiopian treaty of 1928, which explicitly requires both nations to arbitrate any disagreement.

At this point it seemed that Mussolini's desire to expand Italy's African possessions might be checked. It was hoped that Italy and Abyssinia would finally agree to a delimitation of a vague boundary, just as the frontier between Abyssinia and British Somaliland had been fixed after three years of labor.

On Feb. 10, however, an official Italian communiqué stated that an Abyssinian force had attacked an Italian post at Afdub, south of Ualual, on Jan. 29, with casualties on both sides, and that the Italian Legation at Addis Ababa had been instructed to protest strongly. Next day, it was announced in Rome that extensive military preparations had been carried out in great secrecy during the preceding week in view of what was described as the tense situation on the frontier between Italian Somaliland and Abyssinia. Two divisions, numbering at war strength between 25,000 and 35,000 men, complete with artillery, tanks and motorized sections, had been mobilized and were being held in readiness for immediate intervention in Africa if necessary.

London dispatches to *The New York Times* stated that these events had brought the conviction that Mussolini had at last decided to take drastic action against Abyssinia. It was also pointed out that Article XIII of the Treaty of London, adopted in 1915, plainly envisaged the partition of Abyssinia by Great Britain, France and Italy. Despite denials, it was believed in many quarters that one result of the recent settlement of differences between Italy and France and of the Franco-British conversations in London at the beginning of February was an understanding that Italy should further extend her colonial domain at the expense of Abyssinia. It is yet to be seen how true this is.

The Month in America

By CHARLES A. BEARD

THE eternal issue of politics, namely the terms and conditions on which talents or wealth can govern, was illustrated during the opening weeks of the Seventy-fourth Congress. Two measures, especially, afforded the opportunity for demonstrations of the problem. The first was the proposal to turn over to the President the staggering appropriation of $4,880,000,000 in one lump sum to be spent at his discretion in promoting recovery and providing work relief for the unemployed. The second was the administration's bill for establishing old age and unemployment insurance in cooperation with the States.

On the first project Congress had before it no program, even in bare outline, indicating how and for what purposes the billions were to be spent. Although the President's budget was

set up with unusual precision and clarity, it contained no elucidation of the item entitled "Recovery and Relief." The supporting schedule No. 3, showed past appropriations and allotments up to Oct. 31, 1934, under that head; and an annex on the Tennessee Valley Development presented broad plans for the year 1936. But the document was strangely and ominously silent in respect of the details supporting the grand item, "Recovery and Relief."

Congressional hearings attended by the President's spokesman threw little light into the yawning chasm. Unanswered were the questions: "What is to be done with the money? How and by whom is it to be spent? Efforts of reporters to wring from President Roosevelt any itemized statement brought only broad smiles. It is true that many public works projects were proposed in the documents of the National Resources Board and the Mississippi Committee (February CURRENT HISTORY, page 589), which were submitted to Congress by the President in January. If, however, any, some or all of these projects are to be covered by the blanket appropriation requested from Congress, no positive declaration to that effect was made.

Nor did the House of Representatives betray any serious concern over the lack of specifications as such. As a matter of course, the negligible Republican minority protested. And voices of dissent were heard on the Democratic side. Yet when Democratic objections were analyzed, they were found to revolve on two minor points. Dissenters were not distressed by the size of the appropriation nor by its blanket form. They wanted to know how much "pork" their respective districts would receive and to be sure of the deliveries. They also desired assurances that Secretary Ickes would not preside over the dispensation, for he was accused of being illiberal with politicians, especially Democratic politicians. So, despite the fact that the Democratic machine in the House was prepared to jam the bill through without itemization, it was deemed wise to have a conference with the President. The White House caucus was held and participants emerged with knowing smiles on their faces. The bill then went through the House with a rush, by a vote of 329 to 78.

When the bill arrived in the Senate, a few Republicans, including "progressives," announced that they must have some specifications before they would vote nearly $5,000,000,000 in a single appropriation. They announced and denounced. But they did not receive the desired information from the President.

The second measure, touching old age and unemployment insurance, had rougher sailing in the House of Representatives. Expectations that it could be passed hurriedly in time for action by State Legislatures during this season were not realized. Hearings on this bill were less perfunctory. Indeed they developed sharp criticism and innumerable counter-proposals calling for greater expenditures. Even the Townsend scheme for paying $200 a month to persons over 60 had its day in the committee room and on the floor of the House. Radicals denounced the administration program as pitiful and meager in its allowances and the door was opened to indefinite enlargement of Federal outlays for pensions and assurance.

Although official announcements had been made before Christmas that coordinated and consistent policies for NRA, AAA and other recovery agencies were to be forthcoming for Congressional consideration and action,

no such policies were presented to Congress during the first month of its session. The creation of the National Emergency Council had promised such a formulation of concerted measures; yet no signs of resolution came from that source. NRA ground away on administrative details. AAA proceeded on principles of crop control. The life of RFC was extended for two years by a bill signed on Jan. 31, and the policy of putting Federal credit under tottering economic structures was reaffirmed and expanded. The corporation was authorized to make loans to mortgage and loan concerns, despite a report from a House of Representatives investigating committee to the effect that the real-estate mortgage business is shot through with corruption and fraud. The corporation was also empowered to make loans to concerns engaged in selling electrical, plumbing and air-conditioning appliances, urban and rural, and to concerns engaged in mining, milling or smelting ores. In this way faith was expressed by Congress and the President in the recuperative powers of private business, aided in maintaining its towering debt structures by public funds.

In transmitting to Congress reports and documents from various commissions, agencies, and inquiries, such as the survey presented by the Mississippi Valley Committee, the President as a rule contented himself with generalities. Although these state papers were crowded with fundamental findings of fact and equally fundamental recommendations bearing upon every phase of the recovery program, no effort was made to concentrate, organize, and bring consistency into the conclusions. They were dumped pell-mell upon a confused and bewildered Congress, where no agency exists for coordinating and unifying anything, where 531 individuals are busy keeping their home fences in order.

Buried in the voluminous Mississippi Valley document, for example, is a finding of grave significance for the economy of all or parts of thirty-one States. After months of inquiry, a committee composed of engineers, aided by a geographer and a forester, reports that a continuance of present economic practices means stripping the Mississippi basin of life-giving humus, increasing floods, increasing disorganization of agriculture and industry, increasing tenancy, and the breakdown of local economy and government. This is not a theory. This is a declaration based on an array of indisputable facts. Did the President read the document? Did he expect 531 hurried members of Congress to read it? Does he intend to weld all such findings into a consistent program of economy and government, and to indicate the legislative and executive measures necessary for carrying it into effect? Or does he, amid the dust and fog of the so-called instant need of things, contemplate leaving the deluge to rising generations?

Important exceptions to the policy of drift were the President's communication to Congress on the report of the Howell Commission on Aviation and his message on plans presented by Joseph B. Eastman, Coordinator of Transportation. The Howell Commission suggested the creation of an Air Regulation Commission to control aviation activities, subject to the proviso that its duties might later be transferred to some other body, such as the Interstate Commerce Commission. Mr. Eastman's plans offered three choices of policy covering all forms of transportation: (1) Supplementing regulation by planning to ward off maladjustments and strengthening regulation by adding the power to compel

the elimination of maladjustments; (2) compulsory consolidations of railroads along regional lines, with Federal representation on boards of railway directors, and (3) government ownership of railroads. In communicating with Congress on the Howell report, President Roosevelt made clear his desire to have all types of transportation brought under a single regulatory board. In his message on Mr. Eastman's plans he confirmed this position.

For this clarification of Presidential policy on transportation, as contrasted with generalities on the physical degradation of the Mississippi basin, obvious emergencies were largely responsible. At the moment railway companies representing one-sixth of the mileage in the country were in bankruptcy and no noteworthy steps were being taken to bring order out of the chaos. Other companies operating an equal or greater mileage were on the verge of collapse and were kept out of bankruptcy by loans pumped into their treasuries by the Reconstruction Finance Corporation.

The Interstate Commerce Commission on Jan. 15 announced that the aggregate net income of Class I railroads for October, 1934, was less than half the net income for October, 1933, and less than one-third the net income for October, 1932. With railway earnings diminishing and Federal holdings of railway securities increasing, many signs pointed to a crash which might result in dumping a vast mass of transportation débris into the hands of the government.

Although the White House was silent on the subjects of banking and NRA, something more than unofficial rumors were heard on these topics. A measure characterized as representing administration policy in respect of banking was made public on Feb. 4 by Senator Fletcher and Representative Steagall of the Congressional Banking Committees. Although far from the centralized banking demanded by many members of Congress, it marks a movement in the direction of centralization. Under its proposed terms the office of governor and chairman of each of the twelve Federal Reserve Banks are to be combined, and the election of each governor made subject to approval by the Federal Reserve Board. The practice of having the twelve Reserve Banks name the committee on open market operations in government bonds is to be abolished and control over such operations is to be vested in a committee composed of the governor and two members of the Federal Reserve Board and two governors of Reserve Banks. The suggested repeal of collateral requirements for Federal Reserve notes seems to open the door for an indefinite expansion of unsecured currency. Taken collectively the proposals, if enacted into law, will go a long way toward eliminating private banking control over government financial procedures and establishing a centralized bank of issue. They will raise anew the brutal question,"What is the basic security for any note, whether issued by a public or a private bank?"

On the day that the bank project was given to the press Donald R. Richberg announced that Congress would "probably" receive the draft of a new NIRA before the end of the week. No specifications were supplied by Mr. Richberg at the time, but he let it be known that the new act would be regarded as a temporary emergency measure, would retain the labor provisions of Section 7a "substantially as at present," and would "tighten up" many places in the existing law.

While Congress was squaring away for legislative action, the Roosevelt administration decided that the occasion was favorable for raising in the Senate the question of adherence to the World Court, so long delayed. According to authoritative rumors, pledges of the requisite two-thirds vote had been obtained in advance. When the issue came up, however, a veritable storm broke over the heads of Senators.

With the Rev. Charles E. Coughlin bombarding the proposal on the air, Senator Huey Long raging against it on the floor, the Hearst press spreading alarms for the safety of the Republic, and patriotic societies embattled in opposition, support for the project quickly weakened. An avalanche of telegrams, some of them containing personal threats, deluged the Senators. In the end ratification, though hedged about by destructive reservations, was beaten on Jan. 29 by a vote of 52 yeas to 36 nays.

After thundering against interference and entanglements in the affairs of other countries through the World Court, Senator Borah introduced almost immediately a vitriolic resolution calling for an investigation of the acts and policies of the Mexican Government with reference to the disputed religious rights of Mexican citizens and aliens domiciled in that country. Of such substance is the "foreign policy" of the United States made.

Amid the tempests raging around the issue of the World Court, the Nye committee on munitions managed to secure additional funds and pursued its inquiry. Special attention was given to shipbuilders, and evidence was presented indicating collusion among bidders and exorbitant profits on government vessels. Senator Vandenberg made a sensation by introducing a letter sent out in 1932 from "the Marine Division of the Democratic National Campaign Committee," soliciting funds from the shipping interests in support of Franklin D. Roosevelt's candidacy for President. In this letter possible contributors were informed that Mr. Roosevelt was "marine-minded," and that shipbuilders were more likely to get a "square deal" from him than from "a pacifist" — presumably President Hoover. When news of this "revelation" was carried to the White House, President Roosevelt, according to reports, waved it aside lightly, remarking that it had been "aired" before.

Stark contradictions in domestic policies and events were reinforced by similar contradictions in those aspects of domestic economy called "foreign." In an address on Jan. 30 George N. Peek reiterated and elaborated his conviction that the setting for international trade has been altered by irreversible trends; that so-called economic nationalism with its quotas, licenses, currency blocking, high tariffs and government interventions is not a passing vagary, but an order of things so stubborn and permanent that Federal trade policy must be based upon an acceptance of it. Once more Mr. Peek urged a consolidation of the fifty or more Federal agencies dealing with foreign trade activities and a realistic handling of foreign commodity exchange through one government establishment empowered to cope with similar establishments in other countries. This program Mr. Peek did not regard as retaliatory or coercive, but as providing the only type of policy and action calculated to put the United States on an equal footing with Great Britain and the other powers that have adopted similar conceptions and methods of foreign trade control.

On the other hand high officials, also speaking under the auspices of the Roosevelt administration, notably Secretary Hull, again brought forth the formula, "We can get rid of our 'surpluses' only by lowering trade barriers." Speaking before the Senate Agriculture Committee on Jan. 31, Mr. Hull denounced present trade barriers and tariffs as "blind, dumb, nationalistic measures which are getting us nowhere," and called for a restoration of "normal economic trading." He conceded that the plan for separate trade agreements under the Reciprocity Act, though ardently pursued, had as yet brought no material advantages, on account of the pressures of American-protected interests. He likewise conceded the impracticability of starting an attack on tariff barriers by unilateral action inside the United States.

Mr. Hull then hinted at initiating a "move to unchoke international trade," through an international economic conference, with a view to securing general agreements reducing tariff barriers. Unmoved by the fate of the London Economic Conference in 1933, and by President Roosevelt's refusal to support a tariff-cutting and gold stabilizing program there, Mr. Hull suggested the possibility of another trial at promoting trade by general international consultation and compact. In his view this was the only alternative to sinking into regimentation and economic ruin. That ragged and hungry Americans might use some of the cotton and wheat for which outlets are sought abroad apparently did not disturb the deliberations of the Senate Committee on Agriculture.

A similar tendency to rely upon the so-called free market in connection with wages appeared in the President's actions in respect of the labor provisions of NIRA. In suddenly and abruptly shifting disputes between employers and employes in the newspaper industry from the Labor Relations Board to the newspaper code board, President Roosevelt struck a blow at the labor policy developed by the NLRB. By extending on Jan. 31 the automobile code for four months, without consulting representàtives of the American Federation of Labor, the President showed that the weight of the government would not be thrown upon the side of organized labor in an industry in which its membership was notoriously weak. To criticism by labor leaders he replied with unwonted firmness and sharpness.

According to the signs now visible, President Roosevelt has lost some of his confidence in the efficacy of efforts to raise prices and wages and stimulate business through corporate planning and control. In many respects results have been disappointing. But whether relaxing Federal support for a wages program will be followed by a prosecution of corporations for price agreements or heavier taxation of their rising profits lies over the horizon.

Other signs of this faith in "natural" processes appeared in the prolongation of the tacit truce between business and the government and in an easing of the tension in the electrical industry. No announcements of retreat came from the White House, to be sure, but little straws indicated the direction of the wind. The report of the Mississippi Valley Committee provided for tying private power companies into the national "grid," and approved Federal expenditures to build lines into farming regions where profitable business does not now exist. The figures appearing in the budget under the head of TVA, al-

though general and elusive, certainly did not point to an immense increase in the production of power by government plants in the Tennessee Valley. The program as dimly outlined in estimates seemed to contemplate a substantial drive on the sale of electrical appliances and on water control, rather than sharper competition with private concerns in the production of electricity. At all events, with or without warrant, the electrical interests appeared less intransigent than a few months previously. Stray press reports hinted at satisfactory private conferences, but nothing was revealed in official statements.

If such minor events and rumors did in fact signify a rapprochement between the administration and private power interests, both parties must have been disconcerted on Jan. 3 by the release of the Federal Power Commission's preliminary report on domestic and residential rates in cities with a population of 50,000 and over. Prepared in response to a joint resolution of Congress approved on April 14, 1934, under the direction of William E. Mosher, this document was based on the most searching survey of comparative rates ever made in the history of the United States. It is a monument to the spirit of modern scientific inquiry.

The lowest charges among the larger cities for 15 kilowatt hours were found in Columbus and Cleveland, Ohio, where there is competition by municipal plants; and the highest charge for the same consumption was disclosed at Miami, Fla., where the power business is in the hands of a private company. Among cities ranging from 50,000 to 100,000 the lowest charges appeared in cities having public competition and the highest charge in York, Pa., where a private plant furnishes all the current.

Among other things the survey showed that material reductions in private rates had been made during the previous six months—while PWA was lending money to local governments for the construction of plants and employing the possibilities of such loans in dealing with private concerns likely to be affected by them.

Amid the sweep and swirl of events the forces of the Republican opposition showed no signs of consolidation and sharp alignment. If a flood of clippings from Republican editorial and news columns affords some guidance, then astute Republican leaders are more concerned about the substance of things than about party titles. Aware that literally millions of voters are being arrayed under the banners of Huey Long, Father Coughlin, Upton Sinclair, Everett Townsend and other sponsors of attacks on accumulated wealth, they prefer, apparently, to wait on time and circumstance. They seem to suspect that President Roosevelt, like James Madison more than a century ago, may be an instrument for holding back an incoming tide of agrarian and social democracy, at least for a time. Yet they are not sure.

Into the confusion of plans and policies prevailing in Congress and the administration, the Supreme Court injected more uncertainty on Jan. 7 by declaring unconstitutional Section 9c of the National Industrial Recovery Act. This was the first case involving the constitutionality of New Deal legislation, and sponsors of the program had high hopes of confirmation based on the decisions of the court in the Minnesota moratorium and New York milk cases. But they were doomed to disappointment. The court held that the section in question had failed to lay down proper rules for the guidance of the Executive and was there-

fore an unwarranted delegation of legislative power. Thus the authority conferred upon the President to prohibit the transportation across State boundaries of oil produced in excess of State quotas was definitely set aside. From the opinion rendered by Chief Justice Hughes there was only one dissent, that of Justice Cardozo. Although the decision did not preclude Congressional action in the form of a remedy, it forced a searching of hearts among the legal advisers of the administration and officials concerned with conserving oil resources.

Even more consternation was caused by the arguments of counsel before the Supreme Court on the administration's gold policy and the gold clause in public and private obligations. On both sides the pleas traveled outside the mere question of constitutional power and dealt with such matters as national honor and impending chaos. From sharp questions asked of government counsel by members of the court, reporters and commentators leaped to the conclusion that the court was divided and that the possibility of an adverse decision on this issue also lay ahead.

In three decisions not bearing on the New Deal the Supreme Court dealt with important constitutional issues. It suspended the death sentence imposed on two Negroes condemned for attacking two white women near Scottsboro, Ala., and opened the way for later arguments on the merits of the case. While denying to Thomas J. Mooney a writ of *habeas corpus,* the court indicated that his plea involved Federal questions which might be heard after appropriate remedies had been exhausted in the State courts of California. In fact, Chief Justice Hughes uttered a sharp warning to California authorities on the subject of due process under the Federal Constitution. On the question of large property rights the court was less tender. It sustained by a five-to-four decision a drastic West Virginia chain-store tax as applied to gas-filling stations. Added to other chain-store cases, this decision upholds the principle that through the taxing power States may in effect destroy large business chains for the benefit of small individual competitors.

Despite some interest in affairs at the national capital, the chief concern of the American nation was apparently the trial of Bruno Hauptmann at Flemington, N. J., for the murder of Charles A. Lindbergh Jr. Indeed, judging by the spread of pages in the press, that concern was so intense as to make public issues, including the problem of relieving 18,000,000 people from want, seem trivial in comparison. Efforts of authorities at Flemington did not prevent the tragic proceedings from turning into a huge carnival which revealed an ominous degradation of national taste and character. If James Gordon Bennett, who seems to have initiated on a large scale the practice of dragging the trials of cases from court rooms into the streets, could have witnessed the full fruits of his policy, even he might have been staggered by the display of vulgar curiosity, sadistic instincts and profit-making activities connected with this trial.

The only serious competition with the Roman holiday in New Jersey was provided by Senator Huey Long in Louisiana, where he forced the Governor to call out the State militia to put down "an armed resistance" to his dictatorship under the forms of law. The ousting of Governor Moodie in North Dakota by a judicial decree, though spectacular, made only a slight diversion from the main objects of national interest.

A New Deal for Canada

By J. BARTLET BREBNER
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THE punsters of Ottawa's Parliament Hill have suggested that Prime Minister Bennett has drawn a red Herridge across the political trail—this because the Canadian Minister at Washington opened the Conservative government's campaign for economic and social regulation. Yet whatever Mr. Herridge may have contributed as a close observer of the Roosevelt régime, and in spite of what Mr. Stevens may have provided in the way of ammunition from the findings of the Royal Commission on industrial and business practices, Mr. Bennett himself occupied the centre of the stage. In a series of five radio addresses ending on Jan. 9 he proclaimed the ascendency of social ideals over individual rights and promised the Canadian people all the elements of a New Deal. (For the beginning of the campaign see February CURRENT HISTORY, pages 596-598.)

The Prime Minister added to his earlier promises a national economic council, a Federal department of communications, legislation to check abuses revealed by the Stevens Commission, extension of Federal farm credit, civil service reform, amendment of the Companies Act to prevent unjustifiable mergers and stock-watering, and control by the Bank of Canada of currency and credit for social ends. He capped his performance by turning the normally colorless Speech from the Throne at the opening of Parliament on Jan. 17 into a warmly worded recapitulation of what he had done and would do for primary producers. This sounded perilously like an election appeal, and its repeated assaults on the capitalist system came strangely from a Conservative leader.

There is some basis for regarding Mr. Bennett's sudden conversion to State socialism as a political manoeuvre. In his fifth radio address he quite frankly came down into the party arena and distributed cues to the Conservative press and party. He twitted Liberals who had expected to win the 1935 election without having to fight and gibed at the apostles of laissez-faire. "May it be that liberalism is quite willing in these days to let capitalism run it? * * * When capitalism controlled the modern State, the result was fascism, and there is no place for fascism in Canada. * * * Liberalism is toryism in the reactionary sense of the term just as the presentday conservatism is progressivism in the best and most constructive sense of the term." And this came from the man who in September, 1933, said that the current American type of reform was not for Canada; Canada was "not a country in which we can make experiments."

Political gambler or not, Mr. Bennett won considerable success. He agreed that he would have to embody his promises in legislation presented to the current session of Parliament. He risked strengthening the Liberal party at the next election with a solid bloc of members from conservative

Quebec. He tried to capture for his own ends the socialistic schemes of the Cooperative Commonwealth Federation. He embarrassed the Liberals by his boldness, for they had muzzled Vincent Massey and their experimental younger group six months before. They could question his sincerity but not the adequacy of his legislation. The Liberal party has become an asylum for agitated Conservatives.

Pressed by the Opposition for the promised legislation, Mr. Bennett in remarkably short time managed to comply. His unemployment insurance bill was brought forward on Jan. 29 and his farm loan bill on Feb. 1; the rest of the program, he declared, would come along as fast as Parliament could handle it. He even had a plan to end the clash between Dominion and Provincial powers which had hitherto thwarted Federal social legislation. With disarming opportunism he argued that by entering the League of Nations and participating in the International Labor Office Canada had made labor and social conditions a matter of treaty observance and therefore of Federal power. He did not add that Canada had in the past refused to sanction various I. L. O. conventions on the plea of lack of the same Federal power! The confusion of the House of Commons grew when Ernest Lapointe, a Quebec jurist who had been expected to voice French-Canadian objections to constitutional alteration, instead made a thoughtful plea not only for revision but for inserting powers of amendment as well. W. S. Woodsworth, Socialist leader, capitalized the situation by getting through a motion for a special Parliamentary committee to investigate the whole constitutional problem.

The Canadian people, while somewhat cynical about Mr. Bennett's motives, seemed to enjoy the situation, particularly since it ended Liberal complacency in regard to the 1935 election. With the notable exception of the Conservative Montreal *Gazette,* which formally washed its hands of a renegade leader, the press either poured out its gratitude for action or scouted the reality of the conversion and assured its leaders that they would soon be disillusioned. Yet the fact remained that in assuming the offensive Mr. Bennett upset the whole Liberal plan of campaign.

The Bennett program can be perhaps best gauged by the adroit unemployment insurance bill. Drawn up on the British model, it provides small benefits ($6 a week for a single man, less for women, dependents and employed children) after forty weeks of contributions at 25 cents a week. Employers will contribute a like sum and the Federal Government will add one-fifth more. The period of benefit is seventy-eight days plus one day for each week of payment in the preceding five years, with a minimum interval between eligibility for benefits of thirteen weeks. There are the usual safeguards in regard to strikes and wages for employment offered by the Federal employment service. The catch is that the normal victims of seasonal unemployment are not eligible—agricultural workers, fishermen, hunters, trappers and lumbermen—nor are employes of financial institutions, civil servants, public employes and recipients of incomes over $2,000 a year. Finally, sickness and accident insurance and relief for the present unemployed are left to Provincial responsibility.

It is now believed that the election will be postponed from April until the end of the Summer. In strange imitation of the American Republicans, the Liberals may raise the bogy of regimentation, somehow lug

in the tariff (which Mr. Bennett has not mentioned), close their ranks on the matter of constitutionality and reiterate their policy of making the Bank of Canada a State institution. The Cooperative Commonwealth Federation seems awake to the opportunity created for it by the Conservative venture upon socialistic ground. By winning a substantial portion of the serious voters, the Socialists may win some sort of balance of power in a normally two-party Parliament.

Besides his apparent monopoly on initiative, Mr. Bennett has other bait for the voters. His Natural Products Marketing Act and Farm Creditors Arrangement Act are beginning to benefit the Western agrarians, and his new farm loan bill has raised the amount available for this purpose from $15,000,000 to $90,000,000. He has a large public works appropriation in hand. Royal Commissions to implement the Duncan report on Federal subsidies to the Maritime Provinces and to consider Federal compensation to Alberta and Saskatchewan for Dominion administration of their natural resources from 1905 to 1933 are about to present reports which may make good election ammunition.

Wittingly or unwittingly the United States aided Mr. Bennett by deciding in January to start negotiations for a Canadian trade treaty. Freer trade with the United States has long been a central plank in the Liberal platform, and if the Prime Minister can make a good treaty the Liberals could hardly object. Actually, Canadian farmers, business men and financiers seem to want lower tariffs against the United States in return for easier entry of Canadian natural products. Canadian manufacturers have been bitterly opposed, but Mr. Bennett warned them five years ago that if they abused the high tariff protection he gave them, he would withdraw it. The Stevens Commission has made public flagrant abuses, particularly in the textile industry. The Nova Scotia Commission has demonstrated the regionally uneven effects of protective tariffs in Canada.

Statistics of all sorts for 1934 have now been made public. They may be summarized by saying that Canada experienced no great change after March, 1934, but that the rapid recovery of the preceding twelve months was consolidated and evened out. The trade figures for 1934, coupled with those on gold production, which totaled $102,242,000, were important and revealing.

I'M ALONE CASE SETTLED

A commission composed of a Canadian and an American judge handed down on Jan. 9 a decision upholding Canada's claim that the vessel I'm Alone had been sunk on the high seas by an American revenue cutter in March, 1929, contrary to a particular international agreement and to international law. The United States Government was informed that it should acknowledge the illegality of the act, apologize to the Canadian Government, and pay $25,000 to Canada and $25,666.50 to the master and crew (or heirs) for their losses and detention. No compensation was awarded to the owners of the boat (unrevealed in the award) on the ground that they were almost entirely American. The American Secretary of State two weeks later accepted the verdict in a note which elicited a good deal of comment in Canada. Its dry tone and peculiar construction, however, were probably due to the fact that the I'm Alone had been an American rumrunner under Canadian registry, and had been notoriously successful in evading prohibition controls.

Cuba Drifts Toward Dictatorship

By Hubert Herring

Cuba is clearly drifting toward dictatorship. This is made clear by the events of recent weeks. Further proof is to be found in *Problems of the New Cuba,* a report by the commission on Cuban affairs organized by the Foreign Policy Association. President Mendieta, having postponed elections until March 3, seemed certain to postpone them again. On Jan. 15, the government suddenly, as an extraordinary measure to safeguard the harvesting and grinding of the sugar crop, suspended constitutional guarantees for ninety days. The death penalty was restored for those convicted of burning sugar fields or otherwise sabotaging the sugar crop, which is Cuba's chief economic reliance. Meanwhile bombings continued and strikes broke out constantly.

President Mendieta has been rebuffed at every turn in his effort to secure the cooperation of the warring factions. The "Autenticos" of ex-President Grau conduct from their headquarters in Havana and Miami a vigorous campaign of denunciation. The ABC, working from Miami, maintain their intransigent attitude and demand the instant resignation of Mendieta and Batista as a prerequisite to the participation of the ABC in any conciliation venture. This demand has been rejected by Mendieta, who insists that he will stay in office until his constitutionally elected successor appears. In the background, Fulgencio Batista, saying little, is clearly the deciding factor in the whole troubled picture.

The Foreign Policy Association's commission gave advice to both Cuba and the United States. The Roosevelt administration was praised for its restraint in not landing marines during the succession of crises since the overthrow of Machado in August, 1933, and for its disavowal of the principle of intervention. But "the commission hopes," the report reads, "that the ambiguous activities of our American diplomats in influencing the internal composition of governments will come to an end." Sumner Welles and Jefferson Caffery are in the background of these statements, for, after all, they put Cespedes in, forced Grau out, and finally put Mendieta in. The report advises our diplomats to avoid even the appearance of evil. It recommends that the United States complete the abrogation of the Platt Amendment by giving up the naval base at Guantanamo. It further suggests that the international air might be cleared if Washington would forthwith revise its recognition policy, accepting perhaps the Estrada Doctrine of Mexico, which makes recognition the automatic acceptance of de facto governments.

The commission's diagnosis made clear the interaction of political, social and economic factors. Cuba is in the grip of a servile economy and a servile political system—the legacy from four centuries of Spanish rule and thirty-six years of American economic domination. She has never learned to rule, either politically or economically. Cuban Presidents have

taken their orders from Washington, and Cuban business interests from New York, and both alike have been too greatly immune to internal unrest. National and international forces have conspired to fasten the scourge of a one-crop economy upon the island. Bad politics and bad economics are linked with the preponderant power of the sugar business. Cuba will not find salvation through political devices no matter how cunningly contrived; her sugar industry must be set in order if national stability is to be secured.

The commission urged Cuba to call in the services of a group of outside advisers to aid in reordering her economic life. It suggested the outlines of clearly needed reforms and made the following ten specific recommendations:

1. A land policy under which the Cuban Government would acquire land for the purpose of developing small holdings, making compensation in internal bonds or cash.

2. The development of a program of diversification by (a) establishment of agricultural colonies, (b) promotion of agricultural research and education, (c) creation of a marketing organization under government auspices, (d) adoption of a scientific tariff policy.

3. The development by the Cuban Government of a program of agricultural education, public health nursing, medical research and social welfare.

4. A soil survey, initiated with the assistance of foreign surveyors, for the purpose of providing a scientific basis for diversified agriculture, forestry and dairying; and for the development of independently owned small farms.

5. The enactment of legislation requiring each sugar central to set aside land on which its workers may produce food and to appoint a full-time sustenance manager to develop food production.

6. An international sugar agreement under which the leading sugar-importing countries would agree to adopt the quota system of the United States and under which the life of the Jones-Costigan act and the Chadbourne plan would be extended. The chief purpose of such an agreement would be to increase the world price of sugar.

7. The imposition of a tax on unused land for the purpose of encouraging the development of millions of acres of uncultivated areas in private hands, and also of a progressive export tax on sugar for the purpose of increasing revenue and imposing a brake on undue expansion of sugar following a marked price increase.

8. The establishment of an agricultural bank to encourage diversification and local cooperative associations.

9. The adoption of a dollar-exchange currency system, which would give Cuba a safe and equitable national currency and which might yield to the Cuban Government an initial profit of about $15,000,000 and an annual revenue of $1,000,000.

10. The establishment of a public utilities commission, to have jurisdiction over light, power, telephones, railways and highways.

The commission's report reached a Cuba in deadlock. The only hope is that the warring factions will find common ground and unite for effective economic and political planning. The prospect is not bright. The ablest citizens of Cuba are divided between the ABC and the Autentico groups; they are tearing at each other's throats and doing the utmost to prevent President Mendieta from using whatever wisdom he may possess. It is a situation calculated to produce a dictator. An election, whenever it may come, can settle little or nothing, and has little chance of assuring national unity. There is scant faith in democratic and constitutional processes. The idealism and patriotic enthusiasm that united for the overthrow of Machado are dissipated. Defeatism rules. The vision of *Cuba Libre* is dimmed, and thoughtful Cubans see little hope of escaping a barren dictatorship. The common thought is that Fulgencio Batista will either assume the power or will continue to work through a man whom he can dominate.

URUGUAY IN REVOLT

Uruguay, after being for almost three years under a dictatorship, has

experienced a determined and widespread revolt. The skirmishes, which began on Jan. 28, kept loyal troops busy, but the final issue of the fighting remained in doubt as this magazine went to press.

Behind this revolt lies the long story of the contest between the two dominant parties — the Blancos and the Colorados. Nowhere else in Latin America are these parties so self-conscious and inspired by such long and unbroken histories. For 100 years they have kept Uruguayan politics exciting and the country on the verge of civil war. The struggle between them has been fundamentally social rather than political. The Colorados, or the Batlle party (so named after the Spanish family that furnished its leadership), have been responsible for the advanced social and political experimentation that has marked Uruguay as a quasi-Socialist State.

Economic distress, the collapse of world markets, the breaking of foreign exchange, and the loss of faith in democratic institutions contributed in Uruguay, as elsewhere, to the rise of a dictatorship. President Gabriel Terra, who was inaugurated in March, 1931, fought for two years to curtail the powers of Parliament and to abolish the Executive Council of nine which shared power with him. In March, 1933, Terra, under the threat of widespread revolt, dismissed Parliament, jailed some of his Executive Council and established himself as dictator. Three months later a popular plebiscite approved his action.

During the three years since that seizure of power Terra's following has gradually abandoned him until now he is opposed by both major parties, and is dependent upon a coalition of minor parties. This is the situation he faces—with the strong probability of disaffection within the ranks of the army.

The dictatorship of Gabriel Terra is quite different from that in other Latin-American countries. The difference lies not only in the character of the man but in the quality of the population. Uruguay is white, European, literate. It contains large elements of Italians and other European stocks. Radicalism flourishes. Communists, Socialists, Anarchists are vocal in Montevideo; walls are liberally plastered with their appeals and encyclicals. It is hard to keep such a people quiet. Furthermore, Terra himself has for years been a leading exponent of advanced social legislation. During his years of dictatorship he has shown a wistful if ineffective desire to protect Uruguay's traditional freedom. The press has been muzzled, but fitfully, as though with regret. Freedom of speech and of assembly have been curtailed, but sporadically, and there has been indeed a surprising degree of latitude. The times made Terra a dictator. Those who know him best aver he has always devoutly hoped to see Uruguay return to more democratic ways.

A BRAZILIAN TRADE TREATY

Secretary of State Cordell Hull at the Seventh Pan-American Conference in December, 1933, proposed that the American republics make a start toward removing the artificial barriers to international trade by the negotiation of reciprocity treaties. During the past year the Roosevelt administration has driven steadily in the direction of the goal described by Mr. Hull. The first fruit was the reciprocal trade agreement with Cuba; the second, a treaty with Brazil which was signed at the White House on Feb. 2.

The Brazilians boast that their depression is over. They have proved resourceful in meeting changing times. They are bargaining with British shipbuilding firms for warships, offering Brazilian products in exchange. They are optimistically increasing cotton production, thereby embarrassing the American cotton curtailment plan. Cotton now holds second place among Brazilian exports; in 1934 cotton exports increased 3,600 per cent over the preceding year.

The new treaty was described by Mr. Hull as marking "the first break in the log-jam of international trade created by restrictions such as quotas, import licenses, exchange controls, special arrangements and almost numberless throttling devices." The importance of the agreement is obvious. Brazil is our second largest South American market, Argentina's trade being slightly larger. Brazil allots 46 per cent of her available foreign exchange to the United States, almost four times the percentage allotted to France, which comes next in precedence. During the depression American exports to Brazil, which exceeded $100,000,000 annually in 1928 and 1929, dropped to $28,000,000 in 1932, but rose again to $40,000,000 in 1934. Some of this decline, of course, reflected the fall in prices. Brazil takes between 25 and 30 per cent of her imports from the United States, while the United States takes from 40 to 50 per cent of Brazil's exports. The products of the two countries are largely complementary, creating a prime condition for favorable interchange.

By the terms of the new treaty the United States concedes a 50 per cent reduction on manganese ore, brazil nuts, castor beans and a variety of other minor products; it agrees to retain coffee and eleven other products on the free list. Brazil concedes reductions on twenty-eight tariff items and guarantees against any increase on thirteen others. Included on the list of Brazilian concessions are lower rates, ranging from 20 to 60 per cent, on automobiles, trucks, tires, radios, paints and so forth. The Brazilian concessions affect 23.8 per cent of American exports to Brazil in 1933; the American concessions affect 2.4 per cent of the total imports from Brazil in the same year.

The treaty also pledges Brazil to provide sufficient foreign exchange to assure payment for future imports from the United States, and gradually to reduce the frozen commercial credits due citizens of the United States, now amounting to more than $15,000,000.

THE CHACO FIGHTING

January was marked by repeated Paraguayan victories over Bolivia, as the Paraguayan army pushed toward Villa Montes, a Bolivian stronghold and the key to the control of the Bolivian oil fields. Redoubled efforts upon the part of the new Bolivian Government and the throwing of many thousand fresh troops into the field failed to block the progress of Paraguayan arms. Barring unforeseen reverses, the war seemed certain to end with a crushing defeat for Bolivia.

In the meantime, the League of Nations Chaco committee announced on Jan. 16 that it would recommend the tightening of the arms embargo on Paraguay and the lifting of the embargo on Bolivia. This step, if actually taken, will create a major precedent, for it will be the first time that the League has actually resorted to force to coerce a recalcitrant member. The news of the threatened action brought a prompt rejoinder from Paraguay and a threat to resign from the League

if the action is taken. Washington has made it clear that the United States could not concur with the League and that she would have to treat both belligerents alike.

MEXICAN PERPLEXITIES

The scourge of Mexican Presidents is the defeated candidates of yesterday's elections. This has been President Lazaro Cardenas's experience in recent weeks. During January uprisings occurred in nine Mexican States—inspired seemingly by two former contenders for Presidential honors, José Vasconceles and General Antonio Villareal. Campaign offices were established in New York, and the representative of the junta boasted that there was plenty of money and plenty of support. Within six months, he prophesied, the present Mexican Government would fall. Bands of rebels were active in several States.

The leaders of the outbreak announced that their purpose was a return to constitutional government and the restoration of religious toleration. Competent observers questioned the seriousness of the upheaval. The Mexican Army is well organized, is amply equipped with arms and planes; the States are governed by men loyal to the central government; the rebellious leaders have but scant popular support. Furthermore, Mexico is on the economic upgrade, and the absence of serious distress is a deterrent to revolutionary movements.

The church issue continued to menace the peace of the Cardenas administration. Catholic discontent hindered the creation of genuine national unity. Men close to President Cardenas were convinced that he was eager to find a peaceful solution of the religious impasse, and deplored all outside efforts to influence his decisions. It was asserted that the repeated petitions and admonitions from the United States, from both Catholic and Protestants, served only to intensify a situation that might speedily yield to counsels of peace within Mexico itself.

Mexican governmental circles were greatly aroused by the publication on Feb. 1 of Senator William E. Borah's proposal for Senatorial investigation of religious persecution in Mexico. Mexican editorial writers reminded Senator Borah of President Roosevelt's "good-neighbor" policy and of the stand taken by the United States against intervention, and suggested that a Senatorial investigation would be a new and no less deadly sort of intervention. They argued with vigor that Mexico had the right to order her own social institutions as she pleased. American Catholic opinion, however, refused to accept such a view as condoning the treatment to which the church in Mexico has been subjected.

Political Currents in Britain

By RALPH THOMPSON

INVIGORATED, perhaps, by his Christmas vacation, a member of the British House of Commons rose to his feet on Jan. 28, the day Parliament reassembled, and spoke his mind on Ramsay MacDonald. "The Prime Minister is a mountebank," he cried; "he is worse than that. He is a swine. He is

a low, dirty cur who ought to be horsewhipped and slung out of public life." Ten days later Mr. MacDonald attempted to address a political meeting in the manufacturing city of Luton. Each point in defense of his government was greeted with catcalls and jeers. This was not the first occasion in recent weeks that he has been subjected to such treatment.

These fateful indications of the position of the present British Cabinet were reinforced by the results of the Wavertree by-election on Feb. 6, when Randolph Churchill, son of the diehard Winston Churchill, split the Conservative party vote and gave the victory to the Labor candidate. Upon Mr. MacDonald is heaped the blame for past failures and present insufficiencies; to the Right he appears to be an increasingly impotent figure-head; to the Left he remains, as he has been since the formation of the National government in 1931, the arch-traitor. Increasing dissatisfaction with the degree of Britain's recovery has brought nearer a Cabinet shake-up, if not a general election. Either event, it is felt, will push the Prime Minister out of active politics and drop him, garlanded with a peerage, into the relative obscurity of the House of Lords.

Stanley Baldwin, Conservative leader and real head of the British Government today, is the man most assured of a majority in the forthcoming election. Who the Labor chief would be in the case of a Labor victory is still a debatable point—and possibly an unimportant one, since there is little evidence that Labor could win or would, at this juncture, wish to assume the task of forming a government. All calculations, moreover, have been thrown out of joint by the dramatic reappearance of a figure whom many had considered politically defunct—David Lloyd George. Prime Minister from 1916 to 1922, Mr. Lloyd George has during the past twelve years played an inconspicuous rôle in the Commons as member for Carnarvon and as leader of his strange little Independent Liberal party. But that, it developed, was not the end of Mr. Lloyd George. Beginning at Bangor, Carnarvonshire, on Jan. 17, he delivered an amazing series of speeches setting forth what was wrong with Britain and what he proposed in the way of remedy. He wanted, he declared, not leadership of a major party (" I have had enough of that misery"), but the cooperation of present party leaderships in order to end the "supreme paradox of our generation"—the co-existence of poverty and plenty. Some called the program a diluted Rooseveltian New Deal; others labeled it radical. The fact remains that whatever the worth of the proposals, they met with a spirited response, and still further embarrassed the divided councils of Downing Street.

The immediate cause of the attacks on Mr. MacDonald seems to have been the new Unemployment Assistance Regulations, which went into effect early in January (see February CURRENT HISTORY, page 605). Many families ineligible for insurance benefits found their lot under the new dispensation worse than under the old; there were bitter protests and riotous demonstrations. George Lansbury, veteran Labor leader, declared that the poor had been robbed of their last defense —Poor Law relief. Thus harried, the government finally assured the Commons on Feb. 5 that the new rules would be laid aside where necessary and that the old transitional payments would be restored in those cases where their removal had worked hardship. In the meantime, it was promised, new

and more equitable rules would be drawn up as quickly as possible.

Whatever its enemies say, the present British Government is not totally incompetent. If it has failed to accomplish enough, it has nevertheless accomplished a good deal. When Parliament came together again after the holiday recess there were a series of constructive proposals awaiting its deliberations — the weighty Government of India Bill, the Herring Industry Bill, the Housing Bills (one for Scotland, another for England and Wales), and the official report on unemployment insurance for agricultural workers.

Based on the recommendations of the Sea-Fish Commission, the Herring Industry Bill was published on Jan. 22. It names a Herring Board, which will prepare a scheme of reorganization, development and regulation for the industry, and proposes to give the board an immediate sum of money, as well as large borrowing powers. The Housing Bills, made public on Jan. 17, are complementary to the five-year slum-clearance scheme now in hand. They define what constitutes overcrowding, make it a punishable offense to permit an excess of tenants per room, and provide means of discovering illegal crowding and of eliminating it by new construction. New construction will be subsidized by the National Exchequer in conjunction with local authorities.

In regard to unemployment insurance for Britain's 750,000 farm workers, the Statutory Committee appointed under the Unemployment Act recommended measures much like those already applied to other industries. It was suggested, however, that the agricultural and industrial systems be kept separate, to avoid saddling the former with a share in the accumulated debt of the latter. The government will presumably accept the committee's recommendations. It may also heed the request of office workers' organizations, which are agitating for the inclusion in a national insurance scheme of all workers, manual or non-manual, whose yearly income is less than $2,500.

THE INDIAN CONSTITUTION

The words "Dominion status"—magic words so far as India is concerned—were on Feb. 6 officially uttered in the House of Commons. They had been a long time withheld, and the context in which they were finally spoken was such that few persons were greatly reassured or greatly alarmed by their mention. But mentioned they were. Moving the second reading of the Government of India Bill, Sir Samuel Hoare, Secretary of State for India, declared that, as pledged by former British Governments, his government believed that "the natural issue of India's progress is the attainment of Dominion status."

The text of the bill, published on Jan. 24, contains no such statement of belief. In practically every respect the measure follows the recommendations of the Joint Select Committee. Whatever morsel of consolation Indian nationalists and their supporters in Parliament derived from the official confession in the Commons, they would surely have been more pleased by a simple and unambiguous sentence in the bill itself. But in all the 323 pages of the printed text, the 451 clauses, the 15 schedules, the matter discussed is India's immediate rather than her ultimate future. There is no preamble setting forth the government's aims and ambitions. These, it apparently is felt, are already well understood.

In India itself recent comments on the proposed federal scheme were hardly more favorable than those

voiced when it was first announced. The congress of the National Liberal Federation met at Poona on Dec. 30 to pass unanimously a resolution of "profound regret" at the Joint Committee's recommendations. A constitution along these lines, it was declared, "will be wholly unacceptable to all shades of Indian political opinion." The Aga Khan on Jan. 4 confessed his disappointment, but suggested that his countrymen work to improve the proposals rather than to boycott them. Sir Tej Bahadur Sapru, one of the most influential of Indian leaders, blamed Indian political disunity for many of the objectionable features.

As counterweight to these opinions, officials of the government of British India, from Lord Willingdon, the Viceroy, down, have praised the reforms, and Indian Princes as a group have indicated their disposition to accept federation. An informal committee of Ministers of Indian States meeting at New Delhi on Jan. 17 expressed their general satisfaction, and the Chamber of Princes on Jan. 22 affirmed that once certain essential guarantees were embodied in the new Constitution the rulers of the larger States would (in the words of the Maharajah of Bikaner) "be only too glad to enter the federation." Smaller States would no doubt then follow.

A concrete illustration of the British control now resented by Indian nationalists and, in their opinion, extended under the terms of the proposed reforms, is the case of the recently negotiated Indo-British trade agreement. Signed in London on Jan. 9, the new pact was bitterly opposed in the Legislative Assembly at Delhi, and on Jan. 30 that body voted it unfair to India and asked for its immediate termination. But the agreement had already been accepted by the respective governments; the Assembly could do nothing except register its formal protest. Under the recommendations of the Joint Select Committee, elected Indian legislators will have virtually no more power in the matter of tariffs than now. In specific terms the Governor General is given the privilege to veto any act that he regards as "unfair to British imports."

IRISH FOREIGN TRADE

The Anglo-Irish trade agreement announced early in January was followed later in the month by negotiations to reduce the duties on cattle shipped from the Free State and coal shipped from Britain. If present arrangements are not altered, the respective tariffs will be modified as from March 1. Amicable relations between the two countries were further advanced by the reopening of a free British market for Irish horses.

Another gain for Free State commerce was effected by the signing on Jan. 28 of a trade agreement with Germany. During 1935 Irish imports from Germany will be only three times as large as her exports to that country—instead of, as during 1934, sixteen times as large. The past year, incidentally, was most unfavorable for Free State trade as a whole. Imports rose and exports fell as compared to 1933, and out of a total trade turnover of about $285,000,000 the unfavorable balance was $100,000,000.

ANGLO-AUSTRALIAN PACT

On three separate counts Australia and the United Kingdom have within the past year found it necessary to argue long and bitterly. One was the question of "body line" bowling in cricket; the other two involved matters of trade: Lancashire's cotton exports to Australia and the Commonwealth's meat exports to the United

Kingdom. The meat question was temporarily settled on Jan. 11 when the Lyons Ministry announced its consent to three months' restriction on Australian beef exports.

This decision was reached only after great pressure had been brought to bear. Stanley M. Bruce, Australian Resident Minister in London, had warned the Commonwealth Government that unless the temporary restrictions were accepted Australia might not have an opportunity to present its case when plans for permanent regulations are framed (the existing subsidy to the British livestock industry is expected to end on March 31). Other Dominions had taken the unprecedented step of joining the United Kingdom in its representations. Even the Melbourne *Argus* pointed out that "with the Australian chilled beef trade in its infancy it would be a mistake to alienate the best potential customers." Eventually Prime Minister Lyons and his Cabinet had no choice but to give in.

SOUTH AFRICAN AFFAIRS

The first session of the South African Parliament under the Hertzog-Smuts fusion was opened at Cape Town on Jan. 11. Backed by a comfortable majority, the government expected to have little trouble from the Opposition, which consists principally of twenty Malanites and four followers of Colonel Stallard, head of the Dominion party. A greater problem to Prime Minister Hertzog were the swarms of locusts which had settled upon the crops and vegetation in almost every part of the Union. About $6,000,000 has already been spent to fight the pests in the greatest campaign of its kind in local history.

A statement of Union policy which may some day be of great import was made by Oswald Pirow, Minister for Defense, at the opening of the Imperial Press Conference at Cape Town on Feb. 5. Denying the existence of anti-British feeling in the Union, Mr. Pirow said in substance that South Africans would never again fight Great Britain's battles. "If war broke out," he declared, "and any government were to attempt rashly to commit us to participation in another overseas war, there would be large-scale disturbances and possibly civil war."

Flandin's Bid for Recovery

By E. FRANCIS BROWN

THE affairs of France are tangled and unhappy. They may be worse before they are better, but at last a vigorous government is trying to stave off disaster and to save something out of the present sorry situation, as described in the article, "France's Many-Sided Crisis," on page 667 of this magazine. How successful will be Premier Flandin's recovery program is thus a grave question.

This program was outlined in general terms in a radio broadcast on Jan. 12. "If I can obtain a deflation of egoism and a deflation of pessimism," the Premier said, "I believe France will win through." He took his stand for a balanced budget and against a

devalorized franc; he argued for an easy-credit policy, for rationalization of industry, for freer trade. He came out for judicial reform and constitutional changes. "Let those who criticize produce better plans," M. Flandin challenged. "It is easy to win the Battle of Waterloo with matches on a café table. But meanwhile there are hundreds of thousands of unemployed and of underfed children. We are offering to the country the effort and will to cure these evils and we are going on."

The most striking of the government's moves related to finance. On Jan. 2, Clément Moret, governor of the Bank of France, was removed from office and replaced by Jean Tannery, director of the Caisse de Dépots and Consignations. This was the first step in the development of an easy-money policy, for M. Moret had opposed the rediscounting of short-term Treasury obligations. With M. Tannery as governor, it was expected that the bank would permit private banks to rediscount government paper in large quantities, thus opening the way not only for expansion of currency and credit, but for further government sale of Treasury notes.

The announcement of the change at the Bank of France awakened the Bourse from prolonged lethargy. The news heartened business, coming as it did upon the heels of a government promise that for the present there would be no public loans to upset the money market. Investors returned to the Exchange and money began to seep out of hoarding. But this activity quickly lost its impulse when the Bank of France failed to lower the discount rate on collateral loans and the government assured the public that the change at the bank did not forecast inflation. By the end of the month it had become apparent that more than a change of governors would be necessary to alter the bank's policy.

When Finance Minister Louis Germain Martin on Jan. 22 asked Parliament to authorize an issue of 5,000,000,000 francs in short-term notes, debate was precipitated on all phases of French financial policy. The sale of these notes was made necessary by the existing budgetary deficit—last year it was 4,205,000,000 francs—which in turn has resulted in part from the extraordinary fall in tax collections. In both industrial and rural areas the economic crisis has caused a money shortage which makes tax payments difficult, and in addition there has been talk of a tax strike.

The government, when introducing the bill, discussed its need for funds. It pointed out that the Treasury was not only meeting ordinary budget expenses but that it was financing a public works relief program, reorganizing the national defense and pushing measures for economic recovery. The Finance Minister defended the request against charges that it would lead to inflation by saying: "The government is and remains hostile to any practice or policy of inflation. It is and remains attached to the stability of the national currency and to the complete maintenance of the value of the franc." In the face of considerable opposition from both the Left and the Right, the bill was adopted by the Chamber and the Senate.

Paul Marchandeau, Minister of Commerce, brought before the Chamber of Deputies on Jan. 10 a bill for the organization and regulation of industrial production. This was another important measure in the Ministry's recovery program. By its provisions a majority of producers in any industry may draw up plans for restricting production, reducing hours of labor, storing surplus goods and so forth.

If this is approved by the government it becomes compulsory for the entire industry. The government in addition may give further help in the form of tariff subsidies, import quotas, or even financial assistance. The bill's general aim is the adjustment of production to consumption, but with a guarantee of a profit to the producer and a fair price to the consumer.

M. Flandin defended the principles of this bill in his radio talk of Jan. 12. While admitting that traditional economic liberalism would be violated, he insisted that abuses that had sprung up left no alternative· "Economic liberty," he said, "did not mean that capital had a privileged position compared with labor, or that financiers could do what they liked with the nation's savings."

THE ECONOMIC SCENE

Formal bills and proposals must be studied against the background of deepening social distress and unrest. Business activity in France at the beginning of the new year was estimated at about 60 per cent of 1929, a decline reflected in the unemployment figures which reached 451,872 for the week ended Jan. 12. Week after week the total has grown, and this in the face of a persistent government campaign to drive foreign workers from the country. To relieve unemployment the government has proposed the abolition of overtime in all establishments and has made law a measure giving premiums to employers who hire unemployed workers.

Foreign trade in 1934 fell 6,000,000,000 francs below the total for 1933; imports decreased 19 per cent, exports 3½ per cent. Although the greater fall in imports caused the trade deficit to decline, this apparent improvement is not without its unpleasant aspects. For example, a fall of 2,422,000,000 francs in the value of raw materials imported for manufacture can mean only one thing—decreased industrial activity.

The Société André Citroën, which went into receivership in December (see February CURRENT HISTORY, page 610), has been reorganized. André Citroën remained with the company as technical adviser, but the majority of his stock was turned over to Pierre Michelin, the company's largest creditor. In order to resume operations the company obtained a credit of 54,000,000 francs—15,000,000 from the Bank of France, 8,000,000 from Pierre Michelin and 31,000,000 from Lazard Frères. The reopening of the plant was expected to give work to a large number of the 22,000 workers thrown out of employment when the company went into receivership.

Meanwhile, opposition to the Flandin government and to things in general has been manifest throughout France. At Beauvais 5,000 members of the Peasants' Front denounced the Cabinet's wheat policy at a stormy meeting held on Jan. 19. A resolution adopted expressed the hope that the peasants would not be "forced to employ extra-legal means to assert their right to live in dignified labor."

Elsewhere in the provinces there were numerous disturbances and riots. In clashes between members of the French Fascists and the Common Front at Tours and Chartres shots were fired and stones thrown. In Northern France, following pay cuts in steel mills near Lille, workers went on strike and on Feb. 4 indulged in street fights with the police. A drive against foreign students in French schools caused trouble at the beginning of February in Paris, Bordeaux, Lyons and Montpellier when demonstrating students came into contact

with the gendarmes. Strikes at the arsenals in Brest and Toulon intensified the general unrest.

At Lille on Feb. 3 serious clashes took place among war veterans, radicals and the police, following an attempt by veterans to parade through the city. When Communists and Socialists joined the parade a general fracas developed. As this trouble occurred soon after a Royalist had been beaten to death in the Paris suburb of Saint-Germain-en-Laye, the authorities became alarmed lest the anniversary of the Stavisky riots on Feb. 6 be made the occasion for a general demonstration. To prevent possible trouble special police were assembled in Paris and all demonstrations were forbidden by the government. As a result the day passed with only minor disturbances.

ALGERIAN UNREST

While the Colonial Conference in Paris studied the problems of the far-flung French Empire, riots broke out in Algeria on Feb. 1. At Setif, a city of about 37,000, a brawl which started in a café between native soldiers and police led to general rioting. After a soldier had been killed in the café native troops joined a mob in storming the local police station. Rumors spread that the soldier had been killed by a Jew; thereupon the mob began to sack Jewish shops. Ultimately loyal troops suppressed the disorders, but the general unrest pervading Algeria continued, causing the authorities to wonder what minor incident would be the signal for a really serious outbreak.

BELGIUM'S CRISIS

The Belgian Government during January sought to run with the hare and hunt with the hounds. It wanted to remain loyal to the principles of the gold bloc, and it wanted to enjoy the trade advantages of countries off the gold standard. Exactly how this was to be done remained undecided, but the Theunis Cabinet was seeking a way.

The most obvious policy appeared to be the reduction of industrial production costs to a point where Belgium could enter the world market. Lower interest rates and liberal credits were provided by the de Broqueville Ministry before its fall last November. The Theunis Cabinet hoped to go still further through a conversion of government bonds that would permit lower taxes. The government also decided to establish a system of industrial codes, similar to those of the NRA, in order to eliminate some of the business practices that undermine industrial profits and stability. The coal industry has already been brought under a code which not only fixes Belgian production but restricts imports of foreign coal.

As a further step toward reviving Belgian commerce, the government sought to negotiate trade agreements with several countries. During January conversations were in progress with representatives of the United State, France, Italy, the Netherlands and Denmark.

Because of the widespread distress resulting from the economic crisis in the country, the Theunis Cabinet has attempted to lower the cost of living. Emergency decrees reducing the price of bread, of meat and of butter have been promulgated. Postage rates have been cut, and changes in the tax system are expected to relieve the present burdens borne by the middle class and the workers. It was also hoped that electricity for home consumption could be supplied at lower rates.

While all these measures afforded at least temporary relief, the Belgian situation was far from cheerful.

Rumors of social unrest and of financial troubles filtered out. The Catholic party, though supporting the Cabinet, did not like its policies, and neither the Catholics nor the Socialists accepted with good grace the wholesale salary cuts of public employes and the reduction in unemployment benefits. Organized labor talked of a general strike unless cuts were restored. Agrarian interests, meanwhile, were alienated by the lowering of the tariff on butter and the relaxation of import quotas for agricultural products.

Franz van Cauwelaert, Minister of Agriculture, resigned on Jan. 11 because of the government's agricultural policy. At first it was stated that he had resigned in order to assist his son, a director of the Bank of Antwerp, which has been in difficulties. The *Peuple,* a Socialist paper, soon revealed that the Minister's resignation resulted from dissension within the Cabinet.

Two Years of Nazi Rule

By SIDNEY B. FAY
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It had been generally expected that on Jan. 30, the second anniversary of Adolf Hitler's coming to power, the Reichstag would be called for a special session. But no Reichstag meeting took place. Possibly the Chancellor wished to delay any statement of policies until he was officially informed of the results of the discussions in London between the British and French Ministers. (See page 714 of this issue.) Possibly a hoarseness of the throat made a public address impracticable. Hitler therefore simply issued a short proclamation, which was read over the radio for him and then released for publication.

In this proclamation he pointed out that in two years "the National Socialist régime has lifted up a nation that had wasted away in dull desperation and has filled it with strong faith and confidence in the innate values and creative powers of its own life. * * * In joyous self-discipline uncounted millions have placed themselves in the service of the new idea. Beside the fanatical fighters of our revolutionary National Socialist party have stepped the soldiers of the tradition-richest army."

Then, reviewing what had been accomplished since the assumption of power, Hitler proudly declared: "For if, on Jan. 30, 1933, I demanded from the German people four years' time for the execution of the first labor program, then two-thirds of this promise has already been fulfilled during the first half of this period! No democratic government in the world therefore can submit with greater confidence to the people's vote than Germany's National Socialist government."

Hitler requested that the anniversary should be dedicated to works of charity. Winter Help Workers accordingly distributed an extra 25,000,000 marks' worth of food and coal tickets among the needy.

A meeting of all high Nazi civil and military officials was suddenly called on Jan. 3 at the Opera House in Ber-

lin. Persons who had bought tickets for the regular opera performance had their money refunded so that the unexpected Nazi rally might take place. The Berlin public was much mystified, as the papers had given no hint of the meeting and the telegraphic summons to it had been sent out only a day or two beforehand. No reporters were admitted, and only a brief official communiqué was published afterward.

According to this statement the meeting was called to demonstrate to a still skeptical world that the German people and their leadership as symbolized by Adolf Hitler were indissoluble. It was a demonstration "in an incomparable spirit and with an impressiveness that cannot fail to dissipate recent falsehoods and calumnies leveled against Germany abroad." Declarations of loyalty to Hitler were made by a number of speakers. Hitler himself referred to the "flood of lies" launched against Germany on the eve of the Saar plebiscite, and Goering condemned "the foreign machinations that will founder on the iron nerve of our loyalty to the Saar."

The newspapers and foreign correspondents were inclined to believe at first that the meeting had been intended as a manifestation of German unity and loyalty, calculated to make a favorable impression on the Saar voters the following Sunday.

A little later, however, there were rumors, which were very probably true, that the real purpose of the meeting was to assure the Reichswehr that they, and they alone, were to be regarded as the undisputed armed force in the Third Reich. It was noted that an unusual number of Reichswehr officers were invited to the meeting. In recent months there had been in Reichswehr circles considerable criticism, sometimes of a derisive character, of the Storm Troops, and especially of the Black Shirts.

It will be remembered that the purge of June 30 ended the plans of the Storm Troops to filter into the Reichswehr and perhaps ultimately dominate it. Since June these Storm Troops had been greatly reduced in numbers and had virtually ceased to be of importance as a military force. The Reichswehr had nothing further to fear from them. But the "S. S.," or special "Protective Guards" of Black Shirts, forming a kind of secret police, had been greatly increased in numbers. It was rumored, therefore, that the Opera House meeting was to assure the Reichswehr that it had no reason to be uneasy as to the power of the Black Shirts. In other words, the June purge and the Opera House meeting were parallel actions, the one accomplished with violence, the other with peace and harmony.

The army and the Nazi party are to remain, as Dr. Frick declared, the two pillars supporting the Hitler State; the army is its defender and the sole regular military force; the party gives the training in Nazi ideals and furnishes the driving force for reform and internal reconstruction, but is not to encroach by its semi-military training organizations on the sphere of the Reichswehr. As Alfred Rosenberg summed it up in an article in the *Voelkischer Beobachter*, "the army and the party are henceforth indissolubly linked together. Whatever remains between them of past differences and misunderstandings has now been swept away by the forceful rush of the Fuehrer's speech. Constructive work in this sense must and will result from this historic hour in the Prussian State Opera House."

The assassination of General von Schleicher on June 30 was also rumored to have been one of the matters dis-

cussed at the meeting. It was reported that there had been a slumbering resentment among some of his friends in the Reichswehr at the way he was shot down in cold blood on vague charges of conspiracy with Ernst Roehm against Chancellor Hitler. These friends and the officers of his regiment were said to have demanded either his complete vindication or release from the dishonor of having his name remain on the regimental rolls. It was believed, therefore, that Hitler made a statement which cleared General von Schleicher's honor and gave complete satisfaction to the Reichswehr officers.

Nevertheless, General Goering, who is generally believed to have been responsible, directly or indirectly, for the murder of Schleicher, published an interview in the *Voelkischer Beobachter* on Jan. 27 attacking Schleicher's memory. This attack said nothing about the events of June 30 but dealt with the events by which Hitler came into power on Jan. 30, 1933. It alleged that at that time General von Schleicher had planned a military revolt to prevent the formation of a National Socialist government, and that for that reason he had been ignominiously dismissed.

NAZI CENTRALIZED GOVERNMENT

One of Hitler's principal aims when he came to power was to centralize the German Government and to abolish the old anomalous division of the country into separate States which for centuries had been one of Germany's greatest weaknesses. He wanted to coordinate the different German lands under one highly unified authority. Much of this was accomplished during the first months of his rule by doing away with the local State legislatures and Ministries in Bavaria, Baden, Saxony and so forth, and replacing them by Commissioners or Governors appointed by Hitler. Thus General Goering became Governor of the great State of Prussia, which comprises two-thirds of the whole Reich.

But the detailed working out of the coordinating process required long and patient work. Several months ago, Dr. Wilhelm Frick, the Reich Minister of the Interior, who has been in charge of this task, became Minister of the Interior in Prussia, amalgamating the latter in the former and thus ending two overlapping Ministries in Berlin. On Jan. 1 the Bavarian Ministry of Justice ceased to exist and was combined with that of the Reich; the Ministries of Justice in the other States were similarly absorbed. Germany now has one Ministry of Justice, one single system of legal procedure and one hierarchy of law courts.

Dr. Frick announced early in January two further measures in this process of centralization and consolidation of authority. According to the first, Germany is to be divided into twenty-two administrative districts or Provinces, each with a population of 3,000,000 or 4,000,000. Their boundaries will conform as far as possible with the allocation of the Reichswehr units. In some respects they will resemble the eighty-six Departments into which France is divided. These Provinces and their Governors, said Dr. Frick, will be the instruments through which the Reich Government will impose its authority on the humblest hamlet.

Though these districts have not yet been precisely laid out and established, he intimated that they would tend to follow historic boundaries. Thus the old State of Prussia would be organized into twelve Provinces:

East Prussia, Brandenburg, Pomerania, West Prussia, Upper Silesia, Lower Silesia, Saxon Province, Schleswig-Holstein, Hanover, Westphalia, Hesse-Nassau, Rhineland. The rest of Germany would fall into the following nine Provinces: Bavaria, Saxony, Wuerttemberg, Thuringia, Rhenish Hesse, Hamburg, Mecklenburg-Lübeck, Oldenburg-Bremen, and Brunswick-Anhalt-Lippe.

The completion of this division and unification of Germany is said to have been delayed by the opposition of General Goering. As Governor of all Prussia, he did not want to see his State divided and his own authority correspondingly reduced. He was long supported by President von Hindenburg and by other influential Prussians, but Dr. Frick, who is said to have been a determined opponent of General Goering within the Nazi party, appears to have triumphed over all objections and at last made a great stride forward in his plans for unification and centralization.

Dr. Frick's second measure, decreed as law on Jan. 30, aims to bring all cities, towns and hamlets under the supervision of the National Socialist party. It provides for a complete overhauling of the hitherto existing system of municipal and local government by subordinating them to the "principle of leadership" and by anchoring them more firmly to the Totalitarian State. Communities will not be deprived of local autonomy, but, through the rigid party control to which they will be subjected, their Mayors, in final analysis, will be answerable to Reichsfuehrer Hitler.

The law demands that an accredited member of the National Socialist party, approved by Rudolf Hess, Hitler's personal deputy, shall sit at the elbow of every Mayor as a "consulting adviser." He need not be a member of the local government, but he will be qualified to participate in all its deliberations. He will stand in close relations with the local taxpayers and be in a position to restrict excessive and unwise expenditures.

The old democratic voting system under the Weimar republic, according to Nazi allegations, opened the way for all sorts of corruption and enabled officeholders to shirk responsibility. The new law banishes the execrated Parliamentary methods. Henceforth only men of ability and Nazi loyalty will be admitted to office upon nomination of Nazi party officials. Communities will be held strictly to account to the Fuehrer in their administrative procedure. They will be expected to manage their budgets and routine affairs in a businesslike manner and to abstain from embarking on enterprises of an uneconomic nature, keeping expenditures rigidly within municipal revenues. While theoretically allowed a free hand, they will be subjected to official scrutiny by the Reich Ministry of the Interior, which is empowered to supervise budgetary and economic conditions in any community.

The new law further designates the Burgomaster as the head of an urban community. In smaller towns and villages the chief executive will have the title of Magistrate. A man whom the Nazi party approves as Burgomaster or Magistrate will hold the position for twelve years. In smaller communities the number of town Councilors will be limited to twelve. In large cities there may be as many as thirty-six Aldermen. In the more important metropolitan centres the Reich Minister of the Interior and the Provincial Governor may veto any appointment.

NAZI RACIAL DISCRIMINATION

Julius Streicher, publisher of the notorious anti-Semitic paper of Nu-

remberg, *Der Stuermer*, and chief persecutor of the Jews in the Franconian lands, attempted to carry his anti-Semitic campaign into Munich during January. His followers picketed Jewish stores and pasted them with repulsive stickers caricaturing Jews. This was reported to have caused considerable resentment among the people of Munich, and Streicher's campaign was called off after a few days at the instance of the Bavarian Ministry of Commerce.

Professor Einstein's Summer residence, including estates belonging to his two daughters, was confiscated by the German Government early in January, because of his alleged "hostility to the German people and the German State."

Professor Fritz Haber, inventor of the synthetic nitrate that during the war prevented the early collapse of Germany and a Nobel Prize winner, died in Switzerland in January, 1934, after having resigned his academic posts as a protest against Nazi anti-Semitic legislation. Invitations to a memorial service on the anniversary of the death of this Jewish scientist were sent out by the three leading German scientific societies in the fields in which Dr. Haber had done his most important research work. Thereupon Dr. Rust, the Minister of Education, forbade all officials and teachers in German universities to attend the memorial service, and characterized the conduct of the learned societies as "particularly challenging to the National Socialist State." Nevertheless, the societies proceeded with their plans in honor of Dr. Haber.

Dr. Rust announced on Jan. 19, in connection with the details of the course of study for students of law, that henceforth the basis for all studies at the universities would be the "racial fundamentals of all science." During their first two semesters all students must attend lectures on "race, clan, racial science, pre-history and the political development of the German people, especially during the last hundred years." Law candidates were also advised to avoid the formerly world-famous and great universities of Berlin, Leipzig and Bonn, and to choose instead studies at the smaller Eastern Provincial universities of Koenigsberg, Breslau and Kiel, which are more sympathetic to Nazi racial and political ideals.

Sterilization to eliminate the unhealthy and unfit from posterity was actively practiced in Germany during the year 1934. Figures for the city of Hamburg, considered representative for Germany as a whole, show that during the year 1,439 sterilizations were completed out of a total of 2,938 investigated cases. On the assumption that the figures for Hamburg were fairly typical, the legal weekly *Juristische Wochenschrift* for Jan. 26 estimated that some 200,000 sterilizations had been ordered and carried out by the German eugenics courts during 1934. The chief cause for sterilization was congenital feeble-mindedness. Other causes were schizophrenia, congenital epilepsy, chronic alcoholism and melancholomania.

German alarm at the danger of race suicide and a low birth rate, which caused many pessimistic forecasts a year or two ago, was somewhat lessened by the publication of the vital statistics for the first half of 1934. Believing that in the long run the stork is mightier than the sword, the Nazi press was inclined to rejoice over the new figures. They showed that marriages were performed during the first six months of 1934 at the rate of 10.02 for each thousand of the population in Germany, as compared with 8.3 in Poland, 7.6 in the Nether-

lands, 7.0 in Great Britain, 6.9 in France and 6.4 in Italy. To be sure, the marriage rate was somewhat artificially stimulated by the government's gift of 1,000 marks or less to each newly married couple to help them start housekeeping, and by the provisions of the income-tax law, which bear very heavily on unmarried persons. The birth rate in Germany also showed a notable improvement, having increased from a low point of 14 per thousand to 17.6, thereby exceeding the rate in Great Britain, France and Switzerland. It still lags considerably behind such birth rates as 27.1 in Poland and 24.3 in Italy.

THE NAZIS IN AUSTRIA

Considerable uneasiness was felt in Austria at the outcome of the 90 per cent vote in the Saar in favor of Germany. It was feared that the Nazis in Germany and Austria, inflamed by the tremendous victory in the Saar, might start a new campaign to win Austria to the Reich. The Austrian authorities therefore increased their military precautions. They started a new drive on illegal Nazi, Communist and Socialist newspapers and pamphlets, and increased the penalties for disobedience. Some small Nazi demonstrations did take place in Vienna. Nazi leaflets were distributed in the streets and put in house letter boxes. When members of the German colony attended a private production of a film depicting the Saar plebiscite, swastika flags were displayed for the first time since the murder of Chancellor Dollfuss in July, 1934. But there were no serious disorders.

Rumors that the charges of high treason against Anton Rintelen, alleged candidate for the Chancellorship in the Nazi putsch of last July, would be dropped were denied in official circles. It was explained that the case was so complicated that it would probably not come to trial before Spring. The trial of Johann Blaschke, who was charged with being one of the Nazi ringleaders in the Nazi putsch of July was opened on Feb. 1. He is said to have procured the motor trucks in which the conspirators drove to the Chancellery and the broadcasting station. The prosecution alleged that he was the right-hand man of the Vienna organizer of the whole plot, Dr. Otto Waschter (son of a former War Minister and member of the Austrian nobility), who escaped to Germany after his plot failed. Blaschke revealed that Dr. Waschter was actually standing outside the Chancellery on the afternoon of July 25, waiting for news of how the revolution was going.

Italy's Battered Economy

By WILLIAM E. LINGELBACH
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THE considerable increase in gold stocks at the Bank of Italy coupled with a similar accession to the foreign security holdings has materially improved the Italian financial situation. This change resulted directly from the government's drastic action in mobilizing, early in December, all

available foreign credits. Before the issue of the orders of Dec. 8 and 19, the gold coverage had declined to 41.2, within 1.2 per cent of the legal minimum established by the law of 1927. The action of the authorities was therefore not only timely, but necessary.

In order to strengthen the national credit still further, the Cabinet on Jan. 15 announced drastic cuts in the expenditures in the 1935-36 budget. The budget for the fiscal year beginning July 1, 1935, originally carried a deficit of 1,657,000,000 lire as against 2,974,000,000 for the present year, and a little over 2,000,000,000 for 1933-34. Nevertheless, it was thought wise to make every possible sacrifice to balance the budget. Expenditures were reduced by about 991,000,000 lire, and despite the fact that taxation already consumed nearly 30 per cent of the normal income, about 326,000,000 lire in new revenue was added. Drastic cuts were made in all departmental budgets except in those of Colonies, Air and Navy. Public works took a reduction of 141,000,000 lire, and finance, 768,000,000. While the United States and Great Britain have been following an inflationary policy, Italy has consistently adhered to deflation, cutting down her currency circulation from 20,000,000,000 lire in 1926 to 13,000,000,000 in 1934; a further reduction is in prospect for this year.

Notwithstanding the economical management of the nation's finances, Italy still has many causes for concern. Chief among these are the continued decline in foreign trade, and the acute crisis in the export industries, especially silk, caused in large measure by Japanese competition. With an unfavorable trade balance which has become almost chronic, the mobilization of foreign credits cannot permanently correct the causes of the outflow of gold and the pressure for the devaluation of the lira. Economies in administration and the heroic acceptance of lower wages and living standards will do much, but the crisis is by no means over. The final test of the gold standard in Italy, with the lira stabilized at 19 to the dollar, lies in the future.

Fortunately, the gap between exports and imports has been slowly closing since 1931. In this connection, the announcement by Secretary of State Hull on Jan. 16 that he was about to negotiate a trade agreement with Italy is of especial interest. Exports to the United States dropped from $117,066,598 in 1929 to $38,570,620 in 1933, and imports from this country to Italy from $153,967,819 to $61,239,586. The fact that Italy imported 1,304 American passenger automobiles in 1929, and only 86 in 1933, is a concrete example of the severe decline in Italian-American trade.

Employment during January improved considerably. The fall in the number of jobless was ascribed chiefly to the 30-hour week inaugurated in certain industries on Dec. 1, and to the Fascist party's drive against unemployment. The total number of unemployed on Jan. 1 was 961,705 as against 1,122,612 at the beginning of 1934. It is estimated that nearly 130,000 idle men were absorbed by the 30-hour week program. Production indices for 1934 showed improvement over those of 1933, and the Duce's financial advisers openly express the belief that the worst of the depression is over so far as Italy is concerned.

A royal decree on Jan. 16 named Premier Mussolini Minister of Colonies to succeed General Emilio de Bono, who had been appointed Commissioner General of Eritrea and Italian Somaliland. The Duce now holds seven out of a total of thirteen

Cabinet posts. He is a Minister of Foreign Affairs, of the Interior, of Corporations, of War, of the Navy, of Aviation and of the Colonies. Appointments to the six other Cabinet posts were announced on Jan. 24. All the new Ministers are experts in corporative matters, including the well-known Syndicalist leader, Edmondo Rossoni, who becomes Minister of Agriculture; Luigi Razza, Minister of Public Works; and Thaon de Revel, the Mayor of Turin, Minister of Finance.

The Duce in personally taking over the Ministry of Colonies carries one step further the aggressive African policy which has characterized his régime ever since the Fascists gained control of the government. Similarly, the appointment of a Commissioner General for the two colonies on the frontier of Abyssinia has considerable significance, for the veteran Fascist General de Bono is a most ardent imperialist.

Twenty-one spies were condemned by the Special Tribunal for the Defense of the State in the last six months of 1934, according to an official report of the court issued on Jan. 21. Two women and two foreigners were included in the list. There was no intimation as to the identity or the nationality of the accused; the arrests, trials and sentences were kept scrupulously secret.

Rumors from the Vatican indicate that Pope Pius XI is planning to hold a Consistory for the purpose of filling some of the eighteen vacancies in that body. The United States, Great Britain and Latin America are said to be assured of another Cardinal each. On Feb. 1, His Holiness announced approval of the canonization of Sir Thomas More and John Fisher, Bishop of Rochester, martyrs under Henry VIII of England. During January the Vatican Library was enriched by the gift of the private archives and library of the Caetani family. The collection contains a wealth of material, some of which dates back to the tenth century. There are over 200,000 documents and 2,700 volumes on history, philosophy and literature; and 4,600 parchment folios for the years from 954 to 1832. The donor, the late Prince Gelasio Caetani, was Ambassador to Washington from 1922 to 1925.

CONSERVATIVE TREND IN SPAIN

The Spanish Cortes reassembled on Jan. 23, after a month's recess. Though the Ministry has been slightly reorganized, the changes were not important save that they indicated the increasing determination of the Right to eliminate from the Cabinet men like Villalobos, the ex-Minister of Education and a Free Mason, who is avowedly opposed to all clerical influence in education. Prime Minister Lerroux continued in undisputed command. Three members of Catholic Popular Action, the dominant party of the Assembly, remained in the Cabinet, and the leader, Gil Robles, again assured the Premier of the full support of his group.

Señor Lerroux has told the nation that the government faced two major problems and that upon these it would concentrate its attention. The first involves the restoration of agricultural and industrial prosperity; the second is unemployment and its attendant poverty. "Wealth and justice," the Premier declared, "must be secured, the first mobilized, the second created."

In line with this policy the Minister of Agriculture lost no time in submitting a program of land reform which would create a large number of peasant proprietors. The socialistic

Land Act of September, 1932, with its Marxian concept of property, is to be replaced by the Christian concept of small landowners guaranteed in their possession by the State. Land transfer is to be effected gradually and only after all contractual relations as to rent have been satisfied. In that case the renter or lessee, upon the expiration of his lease, may buy the land he cultivates. Though the price will be reasonable, its exact amount is to be determined by commissioners representing the parties concerned. The State will compensate the owners. Thus Spain is attacking the land question very much after the manner in which it was met in Ireland and more recently in England. Unfortunately, more than the distribution of land to individual small proprietors is necessary. Three-fifths of the soil of Spain is not cultivable and much of the remaining two-fifths is too poor to yield reasonable crops. Conditions vary greatly. Castile, Andalusia and Estremadura, for example, are quite unsuited to small-scale farming.

The legislative docket for the present session of the Cortes reveals a number of other important problems. Outstanding among these is the proposed constitutional revision suggested in President Zamora's report on the first three and a half years of the Republic. In the main, these relate to the articles of the Constitution which have to do with the church, regional autonomy, private property, the Executive and the status of the Court of Constitutional Guarantees.

President Zamora, who is a devout Catholic, is most anxious to modify the radical measures against the church adopted by the previous Cortes. The Constitution provided for revision at the end of four years. Since the voters in the elections in November, 1934, approved unequivocally revision in the direction of the Right, the Cortes has a clear mandate in the matter. Proposals for amendment must come from the Cabinet or be sponsored by one-fourth of the members of the Cortes. A simple majority is sufficient for adoption.

The Cortes, in order to expedite its work and to bridle the obstructive tactics and general loquacity of its members, has adopted what are tantamount to gag rules. Debates are to be strictly limited, the speaker having been given the right to close the discussion and call for a vote at the end of the second day. Each party is restricted to three one-hour speeches, to three amendments, to twenty minutes for explaining independent votes, and to ten minutes for final summing up.

Before retiring from the post of Minister of Education, Filberto Villalobos announced that the attendance at the State secondary schools had increased by more than 13,000 since their reorganization by the government. His retirement from the Cabinet was due to the opposition of Gil Robles and Catholic Action. Joaquin Dualde, his successor, is a member of the Democratic party and a distinguished Professor of Law in the University of Valencia. The Liberals, especially the supporters of the Free Teaching Institute organized by Francisco Giner, were bitterly disappointed at the withdrawal of Villalobos. But the Conservative majority in the Cortes is in no mood to permit a continuance of Leftist policies in matters which it regards as vital.

This attitude was further manifested by the threat by Gil Robles to withdraw his party colleagues from the Ministry altogether unless President Zamora signed the plans for the reform of the Tribunal of Constitutional Guarantees so that it could be

read before the Cortes. Realizing that the plan, if carried, would open the way for the removal of many judges who although Socialists were nevertheless his friends, the President hesitated. Finally, however, he yielded in order to avoid a Ministerial crisis. A considerable part of the press, which had been favorably disposed to Gil Robles, has taken serious umbrage at the Catholic leader's attitude in the matter.

The government is seeking to negotiate reciprocal trade agreements better suited to the needs of Spanish commerce. To this end, a new commercial treaty with Holland has been concluded, securing an advantageous exchange of Spanish wines and agricultural products for Dutch exports. A similar accord has been made with Poland, and negotiations are in progress for the direct exchange of Spanish olive oil for certain types of preserved Argentine meat. The frozen credits in the Argentine are gradually being released, and negotiations for better trade relations with France and Great Britain have been started. Unfortunately, the tourist trade has fallen almost to the vanishing point.

In connection with the removal of the state of war in thirty-five Provinces the press censorship has been somewhat mitigated. Since the middle of January foreign corespondents in Madrid have been permitted to send messages and to telephone abroad without supervision. On the other hand, the Spanish press, including the radio broadcast of news and of speeches made in the Cortes, still awaited the release that the new press regulations promised by the Minister of Communication were to bring.

Ex-Premier Azaña, after being acquitted on the charge of participation in the October revolt, was accused of complicity in the large scale gun-running that took place in Asturias last Summer. According to the Attorney General, the plot had extraordinary ramifications, involving not only the revolt in Asturias, but the furnishing of arms to Portuguese malcontents for the overthrow of the Carmona Dictatorship and the establishment of a united Iberian Socialist Republic.

Poland in World Affairs

By FREDERIC A. OGG
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POLAND last September announced that she would treat her minority obligations as non-existent until they were generalized so as to apply to all powers alike. In line with this policy the Polish delegate to the League Council, M. Komarnicki, quietly withdrew from a Council meeting on Jan. 18 when the question was raised of a public session on minority treaties. Later, the same delegate abstained from voting on the Council's decision to ask the World Court for an advisory opinion on another minority question—the status of the Greek population of Albania. The League authorities fully understand that the Polish assault upon the minorities régime not only will be pressed, but will probably constitute a source of much future embarrassment.

Captain Arthur Greiser, newly elect-

ed president of the Danzig Senate and chief of the Free State Government, arrived in Warsaw on Jan. 7 for a State visit. M. Greiser reaffirmed the Free City's loyalty toward Poland and its desire to cooperate with the Warsaw government. Premier Kozlowski and Foreign Minister Beck, however, used the occasion to remind Danzig that speech-making was not enough; that the Nazi Senate had left unfulfilled many promises made in the heydey of Polish-German and Polish-Danzig friendships.

The Poles complain that Danzig's coordination with the Third Reich goes too far, and assert that the city's actual director is not a Danzig citizen, but a German Reichstag member. Thus the city is really ruled from Nazi headquarters in Berlin. Captain Greiser tried to dissipate Polish fears and was even more conciliatory than his predecessor, but the press, as he was leaving Warsaw, commented caustically upon a civility that could not quite disguise the fact that Danzig's ties with Poland are being steadily loosened and those with the Reich strengthened.

Negotiations began at the middle of January between Poland and Lithuania for ending the unofficial state of war which has existed since Poland seized Vilna in 1920. Similar negotiations last Summer were interrupted by the Russo-French proposal for an Eastern peace pact which would have guaranteed Lithuania's present frontiers. Poland's rejection of this scheme, together with Lithuania's quarrel with Germany over the Nazi movement in Memel, changed the situation, leaving the Lithuanian leaders hopeful that Poland might lend support against Germany in return for a peace treaty. Both Marshal Pilsudski and President Smetona, a Warsaw official said on Jan. 12, "are seeking a formula that will enable Lithuania to open relations with Poland without abandoning its pretensions to Vilna. Negotiations have reached a hopeful stage, and Marshal Pilsudski is optimistic about an early settlement."

The Republic of Liberia has granted the Polish Colonial League a concession for fifty plantations and several Polish settlers have already left for their new homes. The Liberian Government, in addition, has recently engaged the service of two Polish advisers for its economic and public health departments.

HUNGARY'S ROYALISTS

Archduke Otto's declaration last December against parliamentary democracy and in favor of fascism and the corporative type of State aroused deep apprehension among Hungarian Legitimists lest the indiscretion ruin his chances of recovering the throne. Indeed they were so disturbed that one of their number, Father Nicholas Grieger, hastened to Steenockerzeel, Belgium, where Otto resides, to warn him against such utterances. Meanwhile the anti-Legitimists rejoiced in what they considered Otto's unmasking.

On his return to Budapest on Jan. 13, Father Grieger reported that he had received from Archduke Otto the following explanation: "My statement published recently in the *Petit Journal* of Paris referred to Austria only and had nothing to do with Hungary. Austria has no historical Constitution, but as King of Hungary I respect the thousand-year-old Hungarian Constitution and would rule over that country as a Constitutional King. The Hungarian Constitution is elastic enough to enable the leaders of the country to effect radical economic and social reforms within its framework."

Domestic difficulties have risen in the path of another aspirant to the throne, Archduke Albrecht. When, in 1930, this scion of the Habsburgs married a commoner, Mme. Irene Lelbach, it was supposed that he had given up all hope of kingship; at all events, a morganatic wife is a clear disqualification under Hungarian law. Believing the Royalist outlook to be steadily improving, however, the Archduke has lately regained his ambition and has been seeking to free himself from his marital ties. One obstacle has been his wife's demand for a settlement of $2,000,000—double the amount that the Archduke has thus far been willing to offer. Another and more serious one is the total lack of any court qualified to grant divorce to royal persons.

Evidences multiplied in January that Premier Julius Goemboes had decided to reconstruct his Cabinet in order to strengthen his personal position in the government party and to eliminate the friends and adherents of his predecessor, Stephen Bethlen. Nicholas Kallay, Minister of Agriculture and close friend of Count Bethlen, resigned under pressure on Jan. 8. Rumor had it, indeed, that the Premier's ultimate intention was to form a coalition Ministry including the leaders (Tibor Eckhardt and M. Wolff, respectively) of the Independent Farmers' party and the Christian National party.

A mixed Hungarian-Yugoslav commission met on Jan. 14 at the Hungarian frontier village of Udverd to discuss questions affecting border towns. In a friendly spirit full agreement was reached concerning border traffic, taxation of citizens having property on both sides of the frontier and similar problems. It was decided that further meetings should be held on April 15 and every three months thereafter. The authorities of the two countries have undertaken mutual support in the matter of tracing criminals. Premier Goemboes on Jan. 29 took a step toward fulfilling his promise of democratic reform through a secret ballot for parliamentary elections by laying before the leaders of the government party the draft of a bill making the secret ballot universal. Hitherto it has applied only in the towns, while in the rural districts votes have been cast orally and under the watchful eye of the great landlords.

Tibor Eckhardt, leader of the Independent Farmers' party, resigned on Jan. 30 from the post of Hungary's chief delegate to the League of Nations because of sharp attacks launched against him from within the government party. He declared that he would continue to oppose the Cabinet, and in particular the proposed measure for electoral reform.

Moved by a sense of isolation produced by the Anglo-French agreement and by the Franco-Italian pact, Premier Goemboes on Feb. 3 let it be known that his country proposes to renew its demands for territorial revision. Hungary's "untenable and intolerable position as embraced in existing peace treaties" must, he said, become at once the subject of "peaceful discussion with the nations of Europe."

RUMANIA'S MUNITIONS SCANDAL

Under the title "Le Scandale Skoda en Roumanie," Roger Mennevée writes in the December, 1934, issue of *Les Documents Politiques* concerning the stir created in Rumania by frauds and other malpractices traceable to the French-controlled armament firm of Skoda. Bruno Seletzki, its principal Bucharest representative, was sentenced in August, 1933, to five years

in prison. Spurred by charges that Rumanian officials must have been guilty of collusion, Parliament last Summer set up a commission of inquiry whose report has threatened to make the Skoda affair a major sensation.

Contracts with the French firm for military supplies are shown to have provided for the payment of exorbitant prices; large sums are believed to have been diverted to Rumanian pockets; important incriminating documents are declared to have been hidden or destroyed by high officials, including a Minister of Justice. The ultimate political effect of the revelations remains to be disclosed, but repercussions are expected.

YUGOSLAV POLITICAL CHANGES

Whatever the future of Yugoslav politics may disclose, the impression has of late been widespread, especially in Great Britain, that dictatorship at Belgrade has "cracked" and that it is on the way to being replaced by a régime more congenial to the democratic mind. It is now known that the late King Alexander was definitely awaiting a suitable moment for the restoration of parliamentary government. Prince Paul and his fellow-regents are today credited with a similar attitude.

The first act of the Yeftitch Cabinet formed on Dec. 21 was to recommend a full pardon for the Croat Peasant leader, Dr. Vladko Matchek, who was sentenced to three years' imprisonment in April, 1933, on charges of separatist agitation. From the date of sentence until last July, Dr. Matchek was kept in the prison at Srimska Mitrovitza, but was thereupon transferred to a nursing home in Zagreb. His release late in December had the expected favorable effect on Croat opinion, which had insisted upon his release as an indispensable first step toward any sort of understanding with Belgrade.

Another evidence of change at Belgrade was provided on Feb. 6 by the dissolution of Parliament. Elections are scheduled for May 5 and the new Parliament is to assemble on June 3. M. Yeftitch, it was said, desires to institute a new electoral policy that will permit all parties to choose Deputies. The campaign is expected to be conducted without official restraint.

BULGARIA'S NEW CABINET

The Cabinet of the Dictator-Premier, Kimon Gueorgiev, which took office as the result of a coup last May, resigned suddenly on Jan. 22 and was succeeded without delay by a new government presided over by the former War Minister, General Petko Zlatev. Throughout the period of the dictatorship, relations between the Cabinet and King Boris had been strained; the King, indeed, accepted the May coup only because his hand was forced by Colonel Veltchev, organizer of the Officers Association which carried it out. In recent weeks Colonel Veltchev, although favoring the retention of a purely figure-head monarchy, had been urging that the King should be deprived of all influence over both domestic and foreign affairs. At length the point was reached where, unless the King was to accept this sort of position, he had to act, and act decisively.

Early in January the King refused to dismiss a number of army officers at the demand of General Zlatev, then War Minister, and for a time it appeared that not only the Minister but army circles generally would support the Veltchev program. Both the general and the majority of other military leaders, however, swung over to the side of Boris, and, when the latter

felt sure enough to strike in his own defense, a strong section of the military emerged victorious from the political squabble, with Zlatev himself as Premier. Half the previous Cabinet reappeared in the new one.

That the overturn would—at least for the time being—have no significant result beyond checking the movement to reduce the King to a nonentity was indicated by a prompt statement of the new Premier that his government would continue the policies inaugurated by M. Gueorgiev last May. These policies, it was declared, seek to maintain a strong authoritative government and friendly relations with all neighbor States.

Few countries stand in greater need of a modern highway system than does Bulgaria. The government has developed a plan for the construction of 2,500 miles of concrete roads in the next ten years. A special road fund is to be created, the State contributing 60,000,000 leva annually and the communes a stipulated proportion of their revenues.

ALBANIAN TROUBLES

There were persistent reports at the beginning of January of insurrection, and even revolution, in Northern Albania. A rebel army was said to be marching on Tirana; martial law was asserted to have been declared; King Zog himself was reported to have been wounded by the explosion of a bomb. Time, however, revealed that the only basis for the rumor was a wholly unsuccessful attempt by a certain Muharrem Bairaktani to stir the northern tribes to insurrection—an effort which fell flat because the tribesmen saw nothing to be gained by giving it support.

It was remarked at the time that all the grossly exaggerated reports of the "rebellion" emanated from Athens, or from other Greek sources. Like Italy, Greece has taken deep offense at King Zog's measures for nationalizing Albanian schools. To be sure, when Athens appealed to the League of Nations in behalf of the rights of Greek minorities on Albanian soil, the Tirana government was constrained to restore the purely Greek-language schools, but the right to appoint teachers in such schools was reserved by the government. The matter continues to be a source of considerable friction.

Albanian finances are in a wretched condition. The stream of gold that Italy stands ready to turn toward Albania can be started only upon condition of absolute submission to Rome. King Zog, however, resolutely refuses to seek aid at such a price.

TENSION IN THE DODECANESE

During the latter part of January the situation in the Dodecanese, always strained, grew decidedly more tense because of Greek demonstrations against Italian rule in the Island of Kalymos. On the charge that the Orthodox Bishop of the island had acquiesced in an Italian decree making the Dodecanese Church independent of the Constantinople Patriarchate, the Greek islanders expelled the Bishop, threw bombs at the house of his successor and forced the Mayor to resign. Italian marines thereupon took charge of the island and Italian war-craft blockaded the harbor. The islanders look upon the Italian decree establishing the independence of their church as a step toward Italianizing their speech, culture and religion. Sympathetic anti-Italian demonstrations in Athens reached such a point on Jan. 24 that the Italian Minister lodged a formal protest.

The Memel Treason Trial

By RALPH THOMPSON

A MYSTERIOUS malady sweeping through the court room in mid-January forced an abrupt adjournment of the Memel treason trial. Perhaps it was mere coincidence that the epidemic (of which there are no available details) followed close upon the German victory in the Saar.

When the Lithuanian court-martial again took up its work on Jan. 22, dispatches from Kaunas and Berlin indicated that troops had been massed on both sides of the frontier, while the German press was calling for a plebiscite to settle once and for all the question of Memel's nationality. Admitting the troop concentration, Lithuania declared it was "not unusual"; Germany denied having made such threatening gestures. There is little doubt, however, that circumstances have been altered since the beginning of the trial (see February CURRENT HISTORY, page 628). The Lithuanian court-martial could not very well fail to take into consideration the plebiscite gossip, even if it were not moved by the threat of armed conflict.

The reading of the long indictment ended on Dec. 21. Thereafter the court examined the individual accused, paying especial attention to those involved in the so-called murder in March, 1934, of M. Jesutis, former Memel court official. Jesutis, it was charged, was killed by Nazis because he had admitted to Lithuanian officials his part in the "conspiracy." His wife testified that members of the Sovog, Nazi party led by Herr Neumann, had attempted to quiet her fears after her husband's disappearance and before the discovery of his body by saying that he had taken a trip to Germany.

It was brought out in subsequent hearings that M. Molinnus, the only one of the accused to admit his guilt, had been an active member of the Sovog. He testified to the frequent entry into Memel of Germany party advisers and to the subversive activity carried on by the Neumann organization. Pastor Sass, leader of the other Nazi party, explained that he had created his group because of dissatisfaction with the Neumann policy, and that while he was strongly pro-German, neither he nor his followers had engaged in illegal acts.

Further witnesses protested that the Nazi parties were not closely bound to Berlin and that their storm-troop battalions had been organized solely for the purposes of sport. One of the accused named Kubbutat, however, admitted taking part in secret military exercises, and declared that just before the court-martial began he had been coached by German officials on what to say and what not to say. Others confessed to receiving funds from Germany, guarantees of German citizenship and promises of employment in the event that they were for political reasons forced to leave the Memel territory.

FINNISH STATE FINANCE

Where does Finland find the money for the service of her American loans?

The explanation is given in the budget estimates for 1935, passed by the Diet just before the conclusion of the Autumn session late in December.

Of 3,174,000,000 marks anticipated current revenue (the finmark today stands at a little over 2 cents), almost three-quarters is to come from taxes on incomes, property and imports. About 18 per cent will be derived from State-owned enterprises. State railways, canals and posts and telegraphs will show a surplus of approximately 150,000,000 marks; a few million will come from the government's margarine factory, printing works and official newspaper; and nearly 90,000,000 from State-owned forests and estates. From the Bank of Finland will come nearly 300,000,000 marks in profits, interest and dividends.

Current expenditure is estimated at 2,677,000,000 marks. The largest item here is for institutions subordinated to the Ministry of Defense; it represents still another increase in military and naval allotments, which are now almost twice as large as they were in 1932.

In the category of capital revenue and capital expenditure, outgo will far exceed income. Repaid government loans, amortizations on State business enterprises and sale of State property will bring in 170,000,000 marks, but this sum is much smaller than the proposed expenditure for improvements on State business enterprises and for loans to relieve unemployment and to improve conditions in the forests and among farmers.

The public debt, however, is not neglected. Approximately 10 per cent of current expenditure is appropriated to payment of interest and expenses on these obligations, and about 15 per cent of total capital expenditure is set aside for their redemption. Although internal borrowings have more than doubled in the past three years, payments on foreign indebtedness have steadily decreased the total outstanding. The consequence is that after a long depression the total Finnish public debt, measured in finmarks, is but slightly higher than it was in December, 1931. Measured in Swiss francs, it has fallen 35 per cent.

SWEDISH STATE MONOPOLIES

One of the chief questions to come before the Swedish Parliament, which opened its regular session on Jan. 11, is that of State control of certain industries affected with a public interest. Commissions appointed by the government have already examined the case for public ownership or public control of radio broadcasting and the sale of drugs, coffee and combustible liquids. In view of the parliamentary strength of the Social Democratic party, it is considered likely that the recommendations of the commissions will be adopted and that the services mentioned will, like the liquor and tobacco businesses, be placed under the control of the State.

The wholesale drug business, if the present plan is adopted, will be conducted by a company directed by government-appointed executives. More than half the capital stock will belong to the State, the remainder being offered for sale to members of Swedish drug and apothecary societies or to their pension funds. Dividends will be limited to 5 per cent, a provision which, coupled with the advantages of large-scale buying and central manufacture, is expected to reduce the cost of drugs to the consumer by one-half. Retail outlets will also be regulated, and persons in need of constant supplies of drugs given the benefit of special rebates and prices.

Radio broadcasting, under the plan proposed by the committee of inquiry, will be controlled by a board of directors consisting of six government representatives and three private members. Expenses will be met, as now, by the sale of receiving-set licenses, but surplus profits will be devoted to improvement of the service. Free licenses, at present given only to the blind, will be extended also to invalids and to the aged.

Soviet Economic Gains

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE All-Union Congress of Soviets, the sovereign legislative body of Russia, gathered in Moscow on Jan. 28 for its biennial session. Elections for the Congress began months ago under an unaccustomed liberal and tolerant procedure. Millions of people who had lost their franchise because of former opposition to the government were restored to citizenship by decree. The electorate, in fact, was the broadest and most inclusive since the revolution, and the spirit that prevailed during the election was unusually carefree and buoyant.

The congress assembled, however, with full knowledge of the determination of the country's rulers to brook no criticism or amendment of the policy laid down by the all-powerful Political Bureau. But the congress gave the dictators opportunity to analyze in detail the past year's economic developments.

Complete statistics covering all departments of planned economy were unavailable at this writing, but partial reports indicated that schedules have been carried out successfully. On Jan. 15 it was announced through the official press that the heavy industries had exceeded specifications for the year 1934. This group of enterprises includes the basic industries of coal, oil, iron, machinery and railroad equipment. Its production during 1934 exceeded 20,000,000,000 rubles as measured in terms of 1927 prices, an output 27 per cent greater than that of the preceding year. The increase of labor productivity by 16 per cent as compared with 1933 is particularly stressed because of the slow progress formerly made in this respect.

In pig iron production, the Soviet Union, on the basis of these figures, now ranks second only to the United States, having last year surpassed Germany. In steel and rolled metals, the production figures give Russia third place, following the United States and Germany, the place formerly held by Great Britain. The Soviet Government expects that before the end of 1935 the country will rank second among the industrial nations of the world in all three lines of metal production. These comparative figures, of course, are affected by the fact that Russia's immediate rivals, Germany and Great Britain, have been producing far below capacity during the past year. If industrial activity in these countries were normal, Russia would make a much dif-

ferent comparative showing. Still, when one remembers the low level from which Soviet industrial expansion began with the first Five-Year Plan in 1927, the record for the past year is certainly impressive.

The light industries—those purveying directly to consumers' needs—have not fared so well. According to official announcement early in 1934, the past year was to have been dedicated to improvement in these lines of production which relate so directly to the standard of living. But the real gains have continued as in the past to be scored in heavy industry. Consumers' goods, by the latest available estimates, fell behind plans, since output increased only 5 per cent over that of 1934. The same disproportionate expansion of the heavy industries will continue, for the 1935 schedule calls for an average increase, as compared with 1934, of 19 per cent in the basic industries and of 11 per cent in consumption goods.

Agricultural progress has resulted in the abolition of ration cards, a reform made effective on Jan. 1. On the same day the government published the statistics of last year's harvest, showing an increase, despite a partial drought, of some 4,000,000 metric tons above the 1933 crop, the largest in Russian history.

The Soviet press has announced a virtually complete triumph for the collectivist system. At the end of 1934 some 16,000,000 farms, three-fourths of all in Russia, had become part of the 240,000 collectives. In the important grain-producing regions 90 per cent of the sown land is now embraced in these socialistic organizations.

It is not yet certain that the abolition of ration cards will improve the condition of the masses. Free trade applies only to bread and cereal foods; ration cards are still enforced for many important articles of diet—meat, eggs, butter, potatoes, sugar. The policy, moreover, has doubled the price of bread as compared with the arbitrarily low prices fixed by the ration cards. Yet for the many millions who were formerly ineligible to possess bread cards, the change has its advantage. The new price, though higher than the former ration price, is much below that which prevailed in the old speculative market. Wage-earners, who used to profit by their possession of bread cards, especially since the government permitted more than one to a family, now find the cost of staple foods doubled.

As partial compensation the government has ordered an increase in all wages—10 per cent for the lower paid workers and a flat increase of 26 rubles a month for the higher paid. This does not equalize the immediate rise in the cost of living, but the Soviet authorities believe that food prices will decline when the new system comes into full effect.

BOLSHEVIK HERESY HUNT

Shortly before the All-Union Congress convened Gregory Zinoviev, one-time president of the Third International; Lev Kamenev, a former Vice Premier of the Soviet Union, and seventeen other less prominent members of the Moscow section of the Communist party were brought to trial on charges of counter-revolutionary activity. On Jan. 17 Zinoviev was sentenced to ten years' imprisonment, Kamenev to five years and the other prisoners to terms varying from five to ten years. At the same time another special tribunal of the government condemned seventy-eight men and women to exile. These, too, were party members and in many cases party officials. The prominence of Zinoviev

and Kamenev—both were intimate friends of Lenin and outstanding leaders of the Revolution—gave the event a dramatic significance which tended to conceal its essential similarity with the present trend of Russian political affairs. As a matter of fact, the trial and punishment of these Communists is but one phase of the nation-wide repression inaugurated after the assassination of Kirov on Dec. 1.

The government's immediate reaction to the assassination was to seize a group of people, mostly non-Communists, who might be suspected of conspiracy against the State, give them the semblance of a trial, and put them to death. (See February CURRENT HISTORY, page 630.) Soon the repressive program became an assault by the present party leadership upon its own luke-warm followers, and indeed upon any member of the party whose ideas and beliefs were in any degree at variance with the Communist creed as interpreted by Stalin. In the case of Zinoviev and Kamenev the court declared them innocent of any active plot, condemning them on the ground of their heretical beliefs. The affair thus became a heresy hunt, the purpose of which was to perpetuate the power of the Stalin faction by driving into exile or into prison, or in any case out of the only party which has political influence, any one who ventured to oppose the present dictatorship or its policies.

Especially suspect were individuals who had former connections with Trotsky, the arch-heretic, or his friends. Some of those punished for this reason alone have been holders of high governmental office and apparently on good terms with the leaders. Thus on Jan. 11, I. I. Reingold, a bureau chief of the Commissariat for Agriculture, was expelled from the party for having continued his acquaintance with a man convicted of taking part in Trotsky's revolt eight years ago. Two of Reingold's subordinates in office were punished in like manner for their loyalty to their chief. M. Golendo, chairman of the State Planning Commission and assistant chairman of the Council of Commissars of White Russia, was removed from office on Jan. 14 and expelled from the party because of his close friendship with Zinoviev; and M. Flior, an official in the Commissariat of Foreign Trade, suffered similar punishment for the same reason. In Golendo's case suspicion was founded largely on the fact that he failed in a recent speech to refer to the Trotsky-Zinoviev opposition.

The purging process was applied also to inconspicuous private members of the party, in some cases on a wholesale scale. In Uzbekistan, 13,000 of the total party membership of 45,000 were expelled for a variety of offenses, consisting chiefly in heterodox opinions. Other regions witnessed similarly comprehensive results of the activities of the cleansing commissions. In individual cases punishment was based on very slight evidence of disloyalty, such as unsound ideas expressed in private conversation or a display of frivolity in commenting on the personalities and policies of the party leaders.

One special branch of the inquisition was concerned with the purifying of the schools and colleges through the expulsion of teachers and students who show independence of mind in matters of political and economic theory. During January seven professors in the Soviet colleges of the Ukraine, including the Vice Chancellor of the State University, were deprived of their posts. The charges in all cases were the same—the spreading of heterodox

ideas through class-room lectures.

SOVIET DIPLOMACY

Negotiations for a commercial agreement with France were completed some time ago, but the details were not made public until the end of January. It was then reported that the government of France had undertaken to extend 1,000,000,000 francs in long-term credits for Soviet purchases of specified French goods. Aviation and automotive equipment will bulk heavily in these purchases. Russia will support the credit by annual shipments into France of large amounts of oil. The transaction thus resolves itself into a barter of French manufactures for Soviet oil, the government of France facilitating the business by agreeing to guarantee payment to the French exporters.

The significant feature of the agreement has been the removal of the Russian debt to France as an obstacle to presentday credit transactions between the two countries. The old Czarist debt is held by a large number of the French middle class, and the political influence of this section of the people has been strong enough heretofore to prevent any extension of credit to the Soviet régime. In concluding the present agreement the French Government has not waived the claims based on the old debt, but has agreed that they should be the subject of separate negotiation.

The event is of peculiar interest to the United States, where similar claims have thus far proved an absolute bar to the development of Soviet trade. Ambassador Troyanovsky recently returned from Russia, where he had gone for instructions on the debt problem. Before his return to Washington he stated that he believed the debt problem would soon be settled. His repetition of this remark after his arrival in Washington and his statement to Secretary Hull that he was empowered to reopen negotiations at once led to the belief that a definite formula had already been agreed upon.

When M. Troyanovsky conferred with Secretary Hull on Jan. 31 it was discovered that the Soviet Union was not prepared to make any new proposals. Negotiations were then abruptly terminated by Secretary Hull and the statement was made that further discussion of the debt problem would be indefinitely postponed. Steps were taken almost immediately to dissolve the Export-Import Bank which was set up for the specific purpose of financing Soviet trade with the United States. There have been suggestions from members of Congress that recognition of the Soviet Union should be reconsidered, but the Department of State has denied that the failure of the debt negotiations involved any change of policy.

THE DEATH OF QUIBYSHEV

The sudden death of V. V. Quibyshev on Jan. 25 deprived the little group of men who comprise the dictatorship in Russia of one of their strongest and most popular members. Quibyshev was one of the few remaining Bolsheviks of pre-war days. For the past thirteen years he had held numerous high offices in the Soviet Government, including the chairmanship of the Central Control Committee and the chairmanship of the Supreme Economic Council, the latter of these posts making him chief administrator of the Five-Year Program. He was secretary of the Communist party before Stalin's assumption of that position, and for some time had been one of the ten members of the Political Bureau, the real ruler of the party and the State.

Tapping Mesopotamia's Oil

By ROBERT L. BAKER

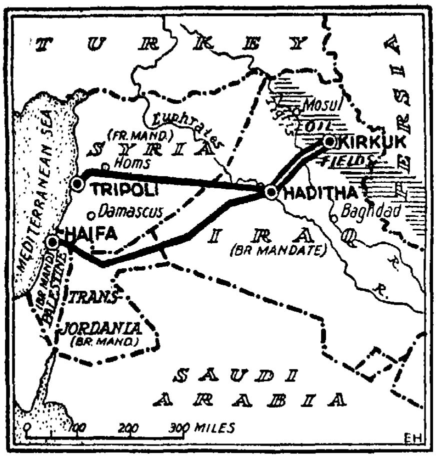
HAPS the most significant event ι the Near East for a decade ıe completion and formal open- . Jan. 14 of the world's greatest ne from the Mosul oil fields in ern Iraq across 600 miles of and mountain to the Mediter- ı. Many years of planning and ation, thirty months of actual uction and nearly $50,000,000 equired for the project, and it 'ond doubt the most interna- in character of all great engi- g feats. The pipe-line crosses ountries—Iraq, Transjordania, the Lebanese Republic and ine—while the Iraq Petroleum ıny, which holds the Mosul con- ı and built the pipe-line, in- British, French, Dutch and can interests.

, of course, stands to gain the because of the generous royal- .e will receive on the oil pumped ut the other countries will also t. The two ports at which the ne debouches—Tripoli in Syria laifa in Palestine—will thrive has been hinted that a great y will be built at Haifa. Thou- of desert Arabs have had and profitable employment the construction of the pipe- nd many will be permanently ed to the pumping stations as rs.

France the tapping of Mosul oil strategic as well as economic ance. It was in the hope of herself of dependence on for- ources of oil that she insisted upon having a separate terminus of the pipe-line in her own mandated territory. And impatient for tangible results, the French loaded the tanker Desprez from the Syrian branch of the line on July 14, 1934, six months before the system as a whole was finished. The French interest in Mosul oil is operated as a State monopoly.

The ceremonies attending the formal opening of the pipe-line began at Kirkuk on Jan. 14, when King Ghazi of Iraq opened a valve and sent the crude oil on its way. Present also were Sir John Cadman, chairman of the Iraq Petroleum Company and head of the Anglo-Persian Oil Company; Sir Francis Humphreys, British Minister to Iraq; Lord Stanhope, British Parliamentary Under-Secretary for Foreign Affairs; Paul Bastide, representing the French Government; and numerous other notables. Other ceremonies were held at Damascus, at Tripoli, at Haifa and at Amman in Transjordania, where the Emir Abdullah made Sir John Cadman a Pasha. Sir John and other company officials went from one ceremony to another in a fleet of airplanes.

On a map the pipe-line resembles a wishbone, with the bifurcation at Haditha. The total length of pipe laid was 1,176 miles. Pumping stations are located over the system at intervals of from 50 to 100 miles. The twelve-inch pipe, manufactured in Germany, England and the United States, was electrically welded, the work being done by highly-skilled American workmen. Engineers of various nationali-



The Mosul Pipe Line

ties were employed under the supervision of Americans, who alone are experienced in pipe-laying over long distances and difficult terrain. So efficient was the construction army that the job was finished a year ahead of schedule.

Suitable quarters and an adequate water supply have been provided for the permanent staff at each of the eleven pumping stations. It is not believed that the protection of the pipeline will involve much difficulty. In addition to airplane patrols which will watch for leaks and marauders, the stations will be in constant communication by telegraph or wireless with the Iraqi police, the French military authorities at Palmyra, the Transjordan desert patrols and the Royal Air Force at Amman and Haifa.

King Ghazi declared at the Kirkuk ceremonies that his country depended on its oil resources for its further development and progress. Iraq has already received about $1,500,000 a year in advance royalties from the oil company. In anticipation of the far greater sums that will be paid after large-scale production begins, the Iraqi Government has prepared a five-year program of public improvements. The oil royalties are kept separate from the regular budget and are applied to road and bridge building, irrigation, schoolhouses, postoffices and other public buildings. This use of the return from natural resources presages a period of rapid and substantial development.

THE NEW TURKISH LANGUAGE

A milestone was reached in the preparation of the new simplified Turkish language on Jan. 20 when President Mustapha Kemal Ataturk approved the first 1,000 words selected by the Language Commission as being really Turkish and free of foreign taint. When the commission completes its labors every Turk will be expected, and perhaps required, to learn new Turkish.

Turkish women for the first time voted and stood for office in Parliamentary elections on Feb. 8. They were given the franchise last December, when the Grand National Assembly amended the Constitution for that purpose. Seventeen women won seats in the next Assembly.

The mosque of Santa Sophia at Istanbul was opened as a museum of Byzantine art on Feb. 1.

LEAGUE VETOES JEWISH STATE

The League of Nations Mandates Commission on Jan. 10 made public its decision that the establishment of a Jewish State in Palestine is incompatible with the scope of the British mandate for Palestine. Though Zionists generally hope that the "national home" will ultimately become a State, neither the World Zionist Organization nor the Jewish Agency for Palestine have considered Jewish growth in Palestine advanced enough to seek a clarification of the purpose of the mandate. Since the Jews have only recently come to number one-quarter of the population, they purposely

avoided pressing for an interpretation that was certain to be unfavorable to statehood.

The petition, to which the commission's ruling was an answer, came from A. Weinshal, head of the central committee of the militant and semi-Fascist Zionist-Revisionist Union in Palestine. The petition may be taken, however, to represent the demands of Revisionists in all countries. Their leader, Vladimir Jabotinsky, arrived in the United States late in January to campaign for the Jewish State, freer immigration into Palestine and other Revisionist purposes.

In spite of the agreements reached between the World Zionist Organization and Mr. Jabotinsky on Oct. 27 and Dec. 14, it is obvious that the chasm between them has not been bridged. So great are the differences between the right and left wings of Zionism in both aims and methods that the prospect for unity is dim indeed. Had unity existed, or even cooperation, then wiser counsels would probably have prevailed and the Revisionists would not have invited a serious setback to the goal of a Jewish State in the form of a League ruling.

After fifteen years of autocratic rule as Mayor of Jerusalem, Ragheb Nashashibi was defeated in the municipal elections by Dr. Hussein Khalidi. The latter had the support of the Mufti, between whom and Nashashibi a feud had arisen, and of the Jewish taxpayers, who had many grievances against the old Mayor. High Commissioner Wauchope confirmed Khalidi's election in spite of an appeal by Nashashibi for annulment of the elections as illegal.

The Jewish Agency announced on Jan. 27 that it was preparing to resume large-scale colonization after a lapse of seven years. Land formerly believed arid can now be made arable by means of irrigation, it was stated. The colonies established in the early years of the mandate are doing well, forty-nine being entirely self-supporting and showing a profit for 1934.

Zvi Rosenblatt, one of the young Revisionists acquitted of the charge of having murdered Dr. Chaim Arlosoroff, Jewish labor leader, in 1933, was not allowed to land when he reached Jaffa after a trip to Poland. He was informed by immigration officials that his name was on their blacklist.

NATIONALIST RALLY IN EGYPT

For the first time in four years it was possible for the Wafd, or Nationalist, party in Egypt to hold a great political rally on Jan. 8 and 9. The party, which normally is followed by about 90 per cent of the country, was hampered in every possible way by the government during the period of King Fuad's quasi-autocratic rule, lasting from the Autumn of 1930 till Nov. 12, 1934, when Nessim Pasha, an independent liberal, became Premier. Under Nessim's predecessors, Sidky Pasha and Yehia Pasha, it was never possible for the Wafdists to assemble in large numbers.

In the belief that Nessim's tenure is merely transitional, and that after new elections the Wafd will return to power, the leaders of the Wafd took advantage of the new freedom of assembly to call a party congress. The response was the greatest political gathering in the country's history. Nearly 30,000 Wafdists from all parts of Egypt met on the outskirts of Cairo to "examine the country's situation from all aspects," and to determine upon a course of action.

Unlike Wafd meetings in the past, the congress was attended not by the rabble but by men of consequence and

by many women, and there was not the slightest disorder. Among the speakers was the party leader, Nahas Pasha, Makram Ebeid Pasha, and two feminist leaders, Mmes. Fahmy Wissa and Nour Hassan. The Wafd's views on irrigation, drainage, education, the condition of the fellaheen and freedom of the press were explained from the platform so intelligently and objectively that foreign correspondents were amazed. Before adjourning the congress adopted resolutions demanding a return to the Constitution of 1923, expressing a hope that the Wafd might settle Egypt's relations with Great Britain on an honorable and friendly basis and declaring its complete confidence in Nahas Pasha.

The excellent discipline of the huge crowd and the moderate and statesmanlike speeches of the party leaders would seem to indicate that the Wafd has undergone a significant change and is now really prepared to assume the responsibility of administering the country. Whether Great Britain is yet willing to let the Wafd return to power is open to doubt. Meanwhile, Premier Nessim Pasha appears in no hurry to call a general election or to deal with the question of the Constitution. He is at present using his exceptional powers to make long overdue reforms in the machinery and personnel of the administration. The Wafd is friendly toward him now, but will oppose him to the utmost should he attempt to govern indefinitely without settling the fundamental problems.

SYRIAN COMMUNISTS

The Comte de Martel, the French High Commissioner of Syria, has to deal not only with a Nationalist resistance which is not always passive but also with a Communist movement which is said to be growing rapidly. Late in January the French authorities took steps to combat the latter menace. Five Red newspapers published in Europe were banned and a number of Communist meeting places were raided and closed.

Acute distress is reported from the great Hauran Plain in Southern Syria. In addition to crop failures, the farmers of this region, who used to find seasonal employment across the border in Palestine, have lost that resource because of the influx of Jewish immigrants.

PERSIA BECOMES IRAN

The Persian Foreign Ministry is determined to correct what it regards as a historical injustice of many centuries standing. Persia, it has found, is historically and geographically only a part of the country that has gone by that name. As a result, Persian diplomats abroad have been instructed that after March 21, "Persia" shall be replaced by "Iran," and "Persian" by "Iranian." Foreign embassies and legations at Teheran were also requested to note the change.

Persia is defending herself at Geneva against Iraqi charges of a serious frontier violation. Feeling, perhaps, that it is best to be involved in only one frontier dispute at a time, the Persian Foreign Office on Feb. 4 exonerated the Afghan Government of responsibility for the raids of Afghan tribesmen across the border in December. (See February CURRENT HISTORY, page 634.)

AFGHAN ASSASSIN EXECUTED

Said Kemal, the Afghan student who on June 6, 1933, murdered Mohammed Aziz Khan, Afghan Minister to Germany and a brother of the late King Nadir Shah, was executed in Berlin early in January.

Japan Goes Her Own Way

By GROVER CLARK

"THE road for Japan to take has long been chosen," said Foreign Minister Hirota on Jan. 22, 1935, in concluding before the Diet his summary of Japan's foreign relations. "It is the cardinal principle of our foreign policy," he declared, "to promote Japan's peaceful and friendly relations with every country." The Washington Naval Treaty was denounced because it had "become incompatible with our basic policy"; yet "it is inconceivable that there should be any cause of conflict" between the United States and Japan. Nor could he "think of any part of the globe where adjustment of interests between" Great Britain and Japan "might be considered in any way unobtainable."

Japan, Mr. Hirota added, wished to deal "in the spirit of this policy" with all other countries "especially with our neighbor States, with which we are anxious to foster good will and fraternal sentiments." He suggested that the Soviet Government give "special consideration to the erection of military works in the Far East, especially along the Soviet-Manchukuo frontiers, with the view of promoting mutual trust and assurance." He welcomed the apparent weakening of the Communists in China, "fervently hoped" that China soon would "awake to the realization of the whole situation of East Asia and undertake to meet the genuine aspirations of our country," and expressed gratification that "there is today a growing trend among the Chinese people to appreciate the true motive of Japan."

Finally, he decried the erection of trade barriers against Japanese goods, and pointed out that "the advance of Japanese commodities on the markets of the world today is only the fruit of our nation's united and indefatigable labors for many years."

In itself the statement was innocuous enough, but it gave no indication that those in control of Japan's Government intend to budge on the question of naval parity or to turn aside from the road to dominance in the Far East, no matter what the other nations may say. Statements from other influential sources in Japan indicate more clearly than Mr. Hirota's diplomatic vagueness exactly how Japan's chieftains are thinking.

Late in December, for example, the publicity bureau of the army issued the second in the series of pamphlets that forms part of a propaganda campaign carried on in recent months to convince the Japanese people of the rightness and necessity of their militaristic program. This pamphlet declared bluntly that Japan is surrounded by enemies—the Western powers whose jealousy and fear have been aroused by Japan's "irresistible" rise through the sixty years during which she was compelled to endure the insults of other nations.

Now, however, Japan is able to go her own way. "The great war brought us into the ranks of first-class powers. The mandated islands furnished us with a good footing in the Western Pacific. The Manchurian affair was a turning point; by establishing a coalition with Manchukuo we have acquired a firm basis for national de-

fense." Even if the League of Nations had as its sole object "the maintenance of the interests of the exploiter countries, and the whole world attempted to block our way," Japan now has reached a position from which she can declare that "the peace of the East cannot be maintained without us. If any should interfere, disregarding Japan, we are prepared to resist." In other words, nothing can be done in the Far East against Japan's wishes.

Japan's position, the pamphlet says, resembles that of pre-war Germany. Japan's armaments by land and sea must be strengthened in order to avoid Germany's fate, but this cannot be achieved by attempts "to adjust armaments to finance, as we have hitherto done." Such a course of "passive defense" has been followed by most countries, and "history tells us where it leads. Germany was defeated because the army had not been permitted to increase by only a few divisions before the war."

The Soviet Union has set the example that Japan should follow—the way of "positive defense." Russia "is replenishing national defenses with all its might. It has enforced an economic system which can be adapted to national defense very quickly." For Japan, which "is now at the crossroads of her destiny," the attempt to "get sufficient armaments from the present system * * * would bring about national bankruptcy and dissolve the unity of the nation. We must set up a new economic system which can provide the expenditures necessary for defense without threatening the national life." That certainly is plain enough speaking. Questioned about the pamphlet, the War Minister told the Diet that it described the general ideas current in the army.

With the Japanese army chiefs speaking out in such fashion, it is not surprising to find Eiji Amau, the undiplomatic spokesman for the Foreign Office, flatly charging the United States with aggressive intentions. In the course of a reply on Jan. 11, to Norman Davis's recent remarks on the naval question, the unofficial spokesman said: "That the United States possesses armaments nearly twice as large as Japan's can only be considered as necessitated by her intention to extend her aggressive operations into the Far East."

Foreign Minister Hirota's hint that "strong determination" would be needed to "realize the consummation" of Japan's purposes was repeated in more emphatic terms by Navy Minister Osumi in reply to a question in the House of Representatives on Jan. 28. When the possibility of a naval race was asked, Admiral Osumi replied: "The Navy Ministry never has said there would be no naval race. We cannot predict the future." Japan, he declared, is trying to get the other powers to "understand and accept Japan's fair and just stand. But if any power * * * embarks upon expansion of its navy * * * the whole Japanese nation must make up its mind to cope with the situation even if we are reduced to eating rice gruel. We have no intention of embarking on a naval race, but, if negotiations fail, we have a policy and are prepared for it."

Japan's new dictator in Manchuria also has made it plain by word and act that the military chieftains are determined to go ahead with their program of dominance. Last September they forced the Cabinet to approve reorganization of the Japanese administration in Manchuria. As a result, complete control of Japanese interests and activities was given to the army officer who is both Ambassador to Manchukuo and Commander of the Japanese forces. The sabre-rattling

General Minami, as one of his first acts after taking over this post on Dec. 10, arranged for consolidating Japanese economic control. This is to be accomplished through the creation of a "bi-national" Economic Board.

The board, according to reports in the Japanese papers, is to deal with economic matters in which Japan and Manchukuo are concerned. Half the members will be appointed by each government, but the chief Japanese member will be the chairman. Decisions are to be by majority vote, with the chairman deciding in case of a tie. Both governments are to agree to enforce the decisions of the board. All this looks reasonable enough on the surface. The joker is that General Minami, besides his other positions, is to hold the chairmanship, and two of the Manchukuo members will be Japanese who hold high official positions in the puppet State. Thus the Japanese dominate the board which in turn controls all economic developments in Manchukuo.

This, however, is simply another step along the road which "has long been chosen." In his first interview after reaching the Manchukuo capital, the Ambassador-Commander-Dictator told the correspondent of *The New York Times* on Jan. 20 that neither the administrative reorganization nor his taking office reflected any change of policy. Furthermore, he declared, neither the present nor any future Japanese Cabinet would oppose the policies which have been followed because these policies express Japanese national opinion, not merely the desires of the army.

Shortly before leaving Toyko for Manchuria General Minami was quoted as saying that any Cabinet that opposed the policies of the new régime deserved to be overthrown. In January he qualified this by asserting that there is no real division of opinion in Japan, and that he had made the statement as a warning to China not to expect any change. But lest there be any misunderstanding as to Japanese military control of Manchurian affairs, he added that "the time is not yet ripe and probably will not be in the near future for turning over the administration of Japanese affairs here to a civilian group."

At the very time that Mr. Hirota was saying that Japan desired "peaceful and friendly relations" with neighboring States, Japanese and Manchukuoan troops were carrying out a fairly large-scale drive into the Chinese territory of Chahar. Over 4,000 Japanese-controlled soldiers, aided by three airplanes, tanks and other modern equipment were involved. Reports indicated that this operation was only the beginning of what is expected by observers in China to be a far-reaching drive to extend Japanese domination over Inner Mongolia. Thus the Soviet Union and China will be separated.

Russian penetration into the Far Western Chinese territory of Sinkiang (Chinese Turkestan) is being mentioned in Tokyo as a possible threat to Japan's interests. Foreign Minister Hirota referred to it in his Diet speech; on the same day an official spokesman said that Soviet economic and political penetration into Sinkiang "menaces the peace and stability of East Asia which it is Japan's mission to maintain." The Foreign Office spokesman remarked, about the same time, that the withdrawal of the Chinese Communist forces westward toward Szechuan Province was a move to establish closer contacts with the Russians in the Far West. In reply to a question as to what Japan proposed to do about it, he said: "At present we can only watch." Two or three days later. the drive into Chahar

started. All this looks like a Japanese attempt to find an excuse for advancing into Mongolia.

The possibility of Chinese resistance to Japanese advance in Chahar, and in North China generally, had been materially reduced by the removal of 145,000 Chinese troops from North to Central China in December and early January.

A good deal of popular indignation has been aroused in China by this and other acts of the Nanking authorities which have created the impression that General Chiang and his associates are dangerously submissive to Japanese pressure. Nanking has replied by executions and wholesale arrests which in the North amount to a virtual reign of terror. The drive nominally is being made against "Communists," but prominent among those arrested are persons who have been outspoken in their criticism of General Chiang's failure to act more decisively against the Japanese. Mr. Hirota's remark to the Diet that he was "glad to acknowledge * * * a growing trend among the Chinese people to appreciate the true motive of Japan" certainly did not minimize the feeling that the Nanking authorities are too pro-Japanese.

These circumstances gave especial significance to talks late in January between General Chiang and the Japanese Minister to China. General Chiang hastened to deny that there was any foundation for the talk of a Chinese-Japanese rapprochement that would make China economically dependent on Japan. "The rumor that China eventually will become a protectorate is childish," he said on Feb. 1. But "a high Japanese official" on the same day told the correspondent of *The New York Times* at Shanghai that "we have put our general policy in the Far East squarely before the Chinese leaders and the next move is theirs." Then this definite threat was added: "They were told that if they did not see the international political situation in the Orient as we do, we would be unable to guarantee against repetition of events similar to the Manchurian incident of 1931, the Shanghai clash of 1932 and the recent Chahar-Jehol clash." Altogether, the circumstances are curiously reminiscent of the presentation of the Twenty-one Demands to Yuan Shih-kai in 1915.

SALE OF THE CHINESE EASTERN

In Manchuria, one of the principal sources of Russo-Japanese friction has been removed by the final agreement for the sale to Manchukuo of the Chinese Eastern Railway. The agreement was reached at Tokyo on Jan. 22. The formal signing and the first cash payment were scheduled for some time in February.

The basic price for the railway was announced last Autumn—140,000,000 yen (about $39,900,000) for the road and 30,000,000 yen (about $8,500,000) for retirement allowances for the Soviet employes of the line. The first cash payment will be somewhat smaller than anticipated—30,000,000 yen, including part of the retirement allowances, instead of 50,000,000. The total cash payment, however, which is to be spread over three years, will be one-third of the total price. The other two-thirds is payable in goods, including rice, raw silk, textiles, small ships, electrical machinery, tea, soya beans and other articles. The Japanese Government guarantees the payment of both the cash and the goods. Adjustment is provided should the exchange value of the yen fluctuate more than 8 per cent. Ownership of the line changes hands when the sale agreement is formally signed. The Soviet employes are given two months in which to withdraw to Russia.

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